

ANNUAL
FINANCIAL
REPORT

VILLAGE OF MARION, MICHIGAN

FEBRUARY 28, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

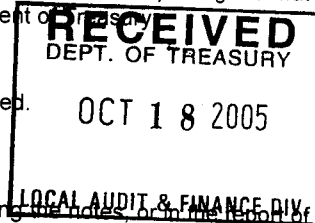
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF MARION, MICHIGAN	County OSCEOLA
Audit Date 2/28/05	Opinion Date 10/14/05	Date Accountant Report Submitted to State: 10/14/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WILSON, SHARRAR & FREEZE, PC			
Street Address 5201 S MISSION		City MT PLEASANT	State MI
Accountant Signature <i>Richard J. Wilson - CPA</i>		ZIP 48858	Date 10/14/05

VILLAGE OF MARION, MICHIGAN
FEBRUARY 28, 2005

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WILSON,
SHARRAR &
FREEZE, P.C.

Certified Public Accountants

Independent Auditors' Report

To The President and Village Council
Village of Marion, Michigan

We have audited the accompanying basic financial statements of the Village of Marion, Michigan, as of February 28, 2005, and for the year then ended as listed in the table of contents. These basic financial statements are the responsibility of the Village of Marion, Michigan's management. Our responsibility is to express an opinion on these basic financial statements based on our audit of the Village of Marion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Village of Marion, Michigan, at February 28, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of March 1, 2004.

The management's discussion and analysis on pages ii through x and budgetary comparison information on pages 36 and 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Marion, Michigan's basic financial statements. The individual fund financial statements and other supplementary information are not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilson, Sharrar & Freeze, P.C.
Wilson, Sharrar & Freeze, P.C.

October 14, 2005

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2005

The management of the Village of Marion, Michigan ("Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- The assets of the Village exceeded its liabilities at the close of this fiscal year by \$2,542,346 (shown as *Net Assets*), representing an increase of \$1,695,248 over the previous fiscal year. Governmental Funds had a decrease of \$72,353 for the year, while Business-Type activities had an increase of \$1,767,601 of the net increase of \$1,695,248.

Fund Level Financial Highlights

- As of February 28, 2005 the governmental funds of the Village of Marion reported combined ending fund balances of \$365,435 of which \$301,479 is unreserved.
- The unreserved fund balance of the Village's General Fund decreased this year to \$237,295 or 71.2% of total general fund expenditures.

Long-Term Debt

- The Village of Marion's total debt increased by \$19,324 during the fiscal year.

Overview of the Financial Statements

The Village of Marion's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements For the first time, this report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two new financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

VILLAGE OF MARION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED FEBRUARY 28, 2005

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-Type activities of the City include water and sewer utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund and the 2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund. The major Proprietary Funds include the Water and Sewer Funds. Presentation of major funds can be found on pages 4, 6 and 8 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Marion uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds of the Village include the General Fund, Special Revenue Funds, Debt Retirement Fund and Capital Project Funds.

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2005

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges are to external customers. There are two types of proprietary funds:

- Enterprise funds are used to report business like activities of the Village. These activities intend to recover the full cost of the services through the fee charges to the customers. The Village has two enterprise funds, which are the Water Fund and Sewer Fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside government. The Village of Marion has no fiduciary funds.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. These notes can be found beginning on page 13 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on page 36 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$2,542,346 at February 28, 2005 meaning that the Village's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2005

Village of Marion
Net Assets as of February 28, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Current and other assets	\$ 450,849	\$ 170,241	\$ 621,090
Capital Assets	811,217	2,877,881	3,689,098
Total Assets	<u>\$ 1,262,066</u>	<u>\$ 3,048,122</u>	<u>\$ 4,310,188</u>
Long-term liabilities	\$ 1,693,383	\$ -	\$ 1,693,383
Other liabilities	73,342	1,117	74,459
Total Liabilities	<u>1,766,725</u>	<u>1,117</u>	<u>1,767,842</u>
Net Assets			
Invested in capital assets net of related debt	\$ 811,217	\$ 2,877,881	\$ 3,689,098
Reserved for Advances	63,956	-	63,956
Unrestricted	(1,379,832)	169,124	(1,210,708)
Total Net Assets	<u>\$ (504,659)</u>	<u>\$ 3,047,005</u>	<u>\$ 2,542,346</u>

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$(1,210,708) in unrestricted Net Assets. The negative unrestricted Net Assets is the result of \$1,738,383 of bonds payable that will be maturing over the next 29 years.

The total net assets of the Village increased \$847,098 in this fiscal year. The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the government-wide Statement of Activities. This increase, however, included \$1,856,690 of contributions to the water supply system resulting from general obligation bond proceeds used to renovate the system.

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2005

Village of Marion
Changes in Net Assets
For the Fiscal Year Ended February 28, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$ 35,215	\$ 163,960	\$ 199,175
Capital Grants and Contributions	-	1,856,690	1,856,690
General Revenue			-
Property Taxes	202,071	-	202,071
State Shared Revenue	210,568	-	210,568
Unrestricted Investment Earnings	5,865	2,804	8,669
Other	52,758	-	52,758
Total Revenues	<u>\$ 506,477</u>	<u>\$ 2,023,454</u>	<u>\$ 2,529,931</u>
<u>Expenses</u>			
Legislative	\$ 20,802	\$ -	\$ 20,802
General Government	95,094	-	95,094
Public Safety	59,036	-	59,036
Planning Commission	900	-	900
Public Works	288,797	-	288,797
Recreation and Culture	20,881	-	20,881
Other Functions	47,361	-	47,361
Water and Sewer	-	255,853	255,853
Debt Service Interest	45,959	-	45,959
Total Expenses	<u>\$ 578,830</u>	<u>\$ 255,853</u>	<u>\$ 834,683</u>
Increase (Decrease) in Net Assets	\$ (72,353)	\$ 1,767,601	\$ 1,695,248
Beginning Net Assets	(432,306)	1,279,404	847,098
Ending Net Assets	<u>\$ (504,659)</u>	<u>\$ 3,047,005</u>	<u>\$ 2,542,346</u>

VILLAGE OF MARION

MANAGEMENT'S DISCUSSION AND ANALYSIS

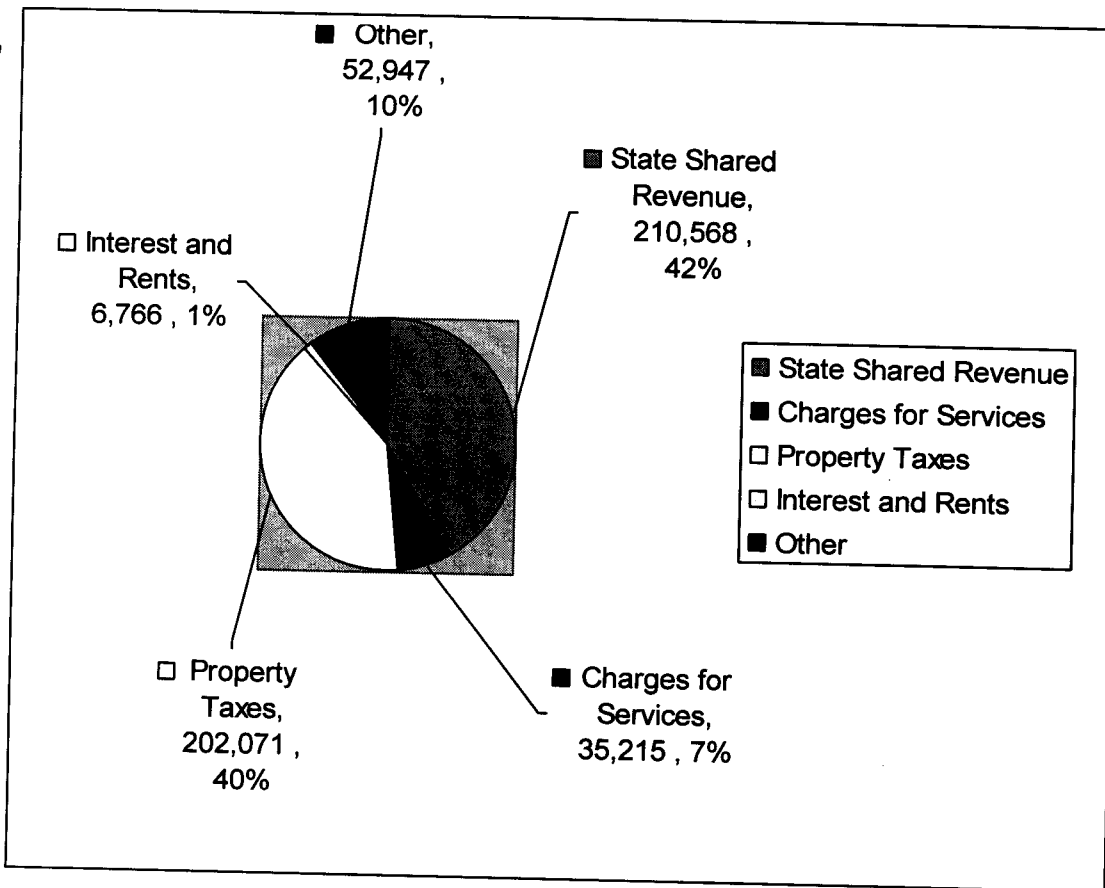
FOR YEAR ENDED FEBRUARY 28, 2005

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Village for the fiscal year ended February 28, 2005.

Revenues-Governmental Activities

Fiscal Year Ended February 28, 2005



The most significant portion of the revenue for all governmental activities of the Village of Marion comes from Property Taxes(40%). The Village's operating millage was 2005 12.1505 mills.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005 the amount of the state

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2005

shared revenue recieved by the Village decreased representing declining sales tax collections and discretionary reductions by the State in revenue sharing payment's.

The Village's governmental activities expenses are dominated by the Public Works expenses that total 31% of the total expenses. The Village spent \$288,797 in fiscal year 2005 on Public Works. General Government represented the next largest expense at \$95,094 or 11.4% of total expenses within the governmental activities.

Business-Type Activities

These activities accounted for an increase of \$1,767,601 in the Village's Net Assets.

The Business-Type activities of the Village include the Water Fund and Server Fund which provide water and sewer utility services to Village residents as well as commercial customers.

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2005 its governmental funds reported fund balances of \$365,435. Of this amount, \$301,479 , or 82.5% is unreserved. Of this amount \$55,830 of unreserved and undesignated fund balance exists in the Village's Major and Local Street funds. \$63,956 of the remaining fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund - The General Fund is the main operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$58,774, bringing the balance of \$237,245. The General Fund's only major functions that ended the year with expenditures above appropriated amounts were General Government and Other Functions. Property tax revenues in the General Fund increased \$4,132 in 2005, and increase of 3.2%.

Major Street Fund - The fund balance of the Major Street ended the year at \$50,985. This was a reduction of \$9,653 from the previous year. The Village used funds accumulated from previous years in order to complete this year's construction projects.

Local Street Fund - The fund balance of this fund is at \$4,845 a decrease of \$1,061, during this fiscal year. The General Fund transferred \$38,041 and the Major Street Fund \$16,748 to the Local Street Fund to assist with several street construction projects that were done in conjunction with the water system renovation.

Water Supply System - the Water Supply System ended this fiscal year with \$69,129 in unrestricted net assets. The total operating revenues of the fund decreased from \$131,141 in FY2004 to \$116,728 in 2005. The net assets of the fund increased by \$1,782,499 due to the water system construction project completed during the year.

VILLAGE OF MARION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED FEBRUARY 28, 2005

Sewage Disposal System – The Sewage Disposal System ended this fiscal year with \$99,995 in unrestricted net assets. The total operating revenues decreased from \$47,956 in FY2004 to \$47,232 in 2005. The net assets of the fund decreased \$24,171. This is primarily attributable to depreciation of \$44,919.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2005 amounted to \$3,689,098 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

Village of Marion Capital Assets as of February 28, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Land and Land Improvements	\$ 227,669	\$ 37,688	\$ 265,357
Infrastructure	622,630	3,906,223	4,528,853
Building	296,688	\$ 20,000	316,688
Machinery and Equipment	182,540	73,670	256,210
Vehicles	85,127	\$ -	85,127
Subtotal	<u>\$ 1,414,654</u>	<u>\$ 4,037,581</u>	<u>\$ 5,452,235</u>
Accumulated Depreciation	<u>(603,427)</u>	<u>(1,159,700)</u>	<u>(1,763,127)</u>
Net Capital Assets	<u><u>\$ 811,227</u></u>	<u><u>\$ 2,877,881</u></u>	<u><u>\$ 3,689,108</u></u>

Major capital asset events during the fiscal year ended February 28, 2005 including the following:

- Water system improvements were completed in the fiscal year 2005 through a low interest loan from Michigan Municipal Bond Authority's state revolving fund loan program. General Obligation Unlimited Tax Water Bonds, series 2002 were authorized and issued for purposes of paying for the project. Total cost of the project was \$1,856,690 with \$1,783,383 being paid with the bond proceeds.
- Numerous streets were improved by adding overlay asphalt. The improvements in Major Streets were at a cost of \$24,272 and the Local Street improvements cost \$38,275.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements section on pages 23-27.

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2005

Long Term Debt – As of February 28, 2005, the Village had total bonded debt outstanding of \$1,738,386. 6 mills will be levied to generate the revenue necessary to pay bond principal and interest.

Village of Marion Outstanding Debt
General Obligation and Revenue Bonds
as of February 28, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
General Obligation Bonds	<u>\$ 1,738,386</u>	<u>\$ -</u>	<u>\$ 1,738,386</u>

More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document , on pages 30-32.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of Village's use of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need addition financial information, please direct your request to the Village of Marion, Village Clerk, 118 E, Main St., Marion, Michigan 49665 or call us at (231) 743-6801.

VILLAGE OF MARION, MICHIGAN
Government Wide Statement of Net Assets
February 28, 2005

	Primary Government			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	\$ 314,945	\$ 170,241	\$ 485,186	\$ 412,349
Receivables	135,904	-	135,904	20,731
TOTAL CURRENT ASSETS	\$ 450,849	\$ 170,241	\$ 621,090	\$ 433,080
CAPITAL ASSETS				
Capital Assets	\$ 1,414,654	\$ 4,037,581	\$ 5,452,235	1,410,606
Less Accumulated Depreciation	(603,437)	(1,159,700)	(1,763,137)	(631,480)
TOTAL CAPITAL ASSETS	\$ 811,217	\$ 2,877,881	\$ 3,689,098	779,126
TOTAL ASSETS	\$ 1,262,066	\$ 3,048,122	\$ 4,310,188	\$ 1,212,206
LIABILITIES AND NET ASSETS				
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 2,987	\$ 967	\$ 3,954	\$ 560
Customer Deposit Payable	-	150	150	-
Payroll Taxes and Retirement Payable	3,618	-	3,618	326
Accrued Interest Payable	21,737	-	21,737	421
Current Portion of Non Current Liabilities	45,000	-	45,000	23,848
TOTAL CURRENT LIABILITIES	\$ 73,342	\$ 1,117	\$ 74,459	\$ 25,155
NON CURRENT LIABILITIES				
Bonds Payable	\$ 1,738,383	\$ -	\$ 1,738,383	\$ -
Capitalized Lease Payable	-	-	-	11,919
Team Loan Payable	-	-	-	80,000
Less Current Portion of Non Current Liabilities	(45,000)	-	(45,000)	(23,848)
TOTAL NON CURRENT LIABILITIES	\$ 1,693,383	\$ -	\$ 1,693,383	\$ 68,071
TOTAL LIABILITIES	\$ 1,766,725	\$ 1,117	\$ 1,767,842	\$ 93,226

The Notes To These Financial Statements Are An Integral Part Of This Statement.

VILLAGE OF MARION, MICHIGAN
Government Wide Statement of Net Assets
February 28, 2005

	Primary Government			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITES	TOTAL	COMPONENT UNITS
NET ASSETS				
Invested In Capital Assets	\$ 811,217	\$ 2,877,881	\$ 3,689,098	\$ 687,207
Net Of Related Debt				
Restricted For:				
Debt Service	63,956	-	63,956	-
Unrestricted	(1,379,832)	169,124	(1,210,708)	431,773
TOTAL NET ASSETS	\$ (504,659)	\$ 3,047,005	\$ 2,542,346	\$ 1,118,980
TOTAL LIABILITIES AND NET ASSETS	\$ 1,262,066	\$ 3,048,122	\$ 4,310,188	\$ 1,212,206

The Notes To These Financial Statements Are An Integral Part Of This Statement.

LAC FM N, I IGA
Statement of Activities
Year Ended February 28, 2005

FUNCTIONS/PROGRAMS	PROGRAMS REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS		PRIMARY GOVERNMENT BUSINESS	
			GOVERNMENTAL ACTIVITIES	ACTIVITIES	TOTALS	COMPONENT UNITS
<u>Primary Government</u>						
<u>Governmental Activities</u>						
Legislative	\$ 20,802	\$ -	\$ (20,802)	\$ -	\$ (20,802)	\$ -
General Government	95,094	23,707	(71,387)	-	(71,387)	-
Public Safety	59,036	-	(59,036)	-	(59,036)	-
Planning Commission	900	180	(720)	-	(720)	-
Public Works	288,797	-	(288,797)	-	(288,797)	-
Recreation And Culture	20,881	11,328	(9,553)	-	(9,553)	-
Other Functions	47,361	-	(47,361)	-	(47,361)	-
Debt Services Interest	45,959	-	(45,959)	-	(45,959)	-
Total Governmental Activities	\$ 578,830	\$ 35,215	\$ (543,615)	\$ -	\$ (543,615)	\$ -
<u>Business-Type Activities</u>						
Water	\$ 166,699	\$ 116,728	\$ -	\$ 1,806,719	\$ 1,806,719	\$ -
Sewer	88,454	47,232	-	(41,222)	(41,222)	-
Total Business-Type Activities	\$ 255,153	\$ 163,960	\$ -	\$ 1,765,497	\$ 1,765,497	\$ -
Total Primary Government	\$ 833,983	\$ 199,175	\$ (543,615)	\$ 1,765,497	\$ 1,221,882	\$ -
<u>Component Units</u>						
Marion Community Fire Department	\$ 80,746	\$ 10,750	\$ -	\$ -	\$ -	\$ (69,996)
Downtown Development Authority	19,397	-	-	-	-	(19,397)
Marion Public Library	71,503	1,407	-	-	-	(70,096)
Total Component Units	\$ 171,646	\$ 12,157	\$ -	\$ -	\$ -	\$ (159,489)

<u>General Revenues</u>						
Property Taxes	\$	202,071	\$	-	\$	202,071
State-Shared Revenues		210,568		-		210,568
Contributions From Local Units		-		-		-
Interest And Rents		5,865		2,804		8,669
Other Revenues		52,058		-		52,058
Intergovernmental Revenues		700		(700)		-
Total General Revenues						
And Transfers	\$	471,262	\$	2,104	\$	473,366
Change in Net Assets	\$	(72,353)	\$	1,767,601	\$	1,695,248
Net Assets-Beginning of Year		(432,306)		1,279,404		847,098
Net Assets-End of Year	\$	(504,659)	\$	3,047,005	\$	2,542,346
						\$ 1,118,980

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MARION, MICHIGAN
Governmental Fund Balance Sheet
February 28, 2005

	General Fund	Major Street Fund	Local Street Fund	2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund	Non- Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 176,556	\$ 43,458	\$ 22,621	\$ 63,956	\$ 8,354	\$ 314,945
Receivables-Net						
Property Taxes	22,509	-	-	-	-	22,509
Due From Other Governments	20,451	8,490	5,645	-	-	34,586
Due From Other Funds	24,384	105	-	-	-	24,489
Total Assets	\$ 243,900	\$ 52,053	\$ 28,266	\$ 63,956	\$ 8,354	\$ 396,529
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 2,987	\$ -	\$ -	\$ -	\$ -	\$ 2,987
Due to Other Funds	-	1,068	23,421	-	-	24,489
Payroll Taxes And Retirement Payable	3,618	-	-	-	-	3,618
Total Liabilities	\$ 6,605	\$ 1,068	\$ 23,421	\$ -	\$ -	\$ 31,094
FUND BALANCE						
Reserved For Debt Service	\$ -	\$ -	\$ -	\$ 63,956	\$ -	\$ 63,956
Unreserved, Undesignated	237,295	50,985	4,845	-	8,354	301,479
Total Fund Balances	\$ 237,295	\$ 50,985	\$ 4,845	\$ 63,956	\$ 8,354	\$ 365,435
Total Liabilities and Fund Balances	\$ 243,900	\$ 52,053	\$ 28,266	\$ 63,956	\$ 8,354	\$ 396,529

The Notes To The Financial Statements Are An Integral Part Of This Statement.

VILLAGE OF MARION, MICHIGAN
Reconciliation of Balance Sheet of Governmental Funds to the
Statement of Net Assets
February 28, 2005

Total Governmental Fund Balances \$ 365,435

Amounts Reported For governmental Activities
In The Statement of Net Assets Are
Different Because:

Capital Assets Used In Governmental Activities
Are Not Financial Resources And Not Reported
In The Funds

Cost Of Capital Assets	\$ 1,414,654	
Accumulated Depreciaton	<u>(603,437)</u>	811,217

Long-term Receivables Not Collectible
In The Current Period Are Not
Reported In The Funds 77,844

Accured Interest Receivable On The
Long Term Receivables Are Not
Reported In The Funds 965

Long-Term Liabilities Are Not Due And
Payable In The Current Period And Are
Not Reported In The Fund (1,738,383)

Accured Interest Payable On Long-Term Debt
Is Not Reported In The Funds (21,737)

Net Assets of Governmental Activites \$ (504,659)

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances
Year Ended February 28, 2005

	2002 General Obligation					Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Unlimited Tax Bonds Debt Retirement Fund	Non-Major Governmental Funds	
REVENUES						
Taxes	\$ 134,144	\$ -	\$ -	\$ 67,927	\$ -	\$ 202,071
State Grants	117,481	66,993	26,094	-	-	210,568
Charges for Services	35,215	-	-	-	-	35,215
Interest and Rents	3,432	382	5	2,932	15	6,766
Other Revenue	52,947	-	-	-	-	52,947
Total Revenues	\$ 343,219	\$ 67,375	\$ 26,099	\$ 70,859	\$ 15	\$ 507,567
EXPENDITURES						
Legislative	\$ 20,802	\$ -	\$ -	\$ -	\$ -	\$ 20,802
General Government	101,246	-	-	-	-	101,246
Public Safety	55,604	-	-	-	-	55,604
Planning Commission	900	-	-	-	-	900
Public Works	80,705	60,080	81,749	-	64,879	287,413
Recreation and Culture	26,457	-	-	-	-	26,457
Other Functions	47,361	-	-	-	-	47,361
Debt Service	-	-	-	-	-	-
Principal	-	-	-	45,000	-	45,000
Interest and Fiscal Charges	-	-	-	42,001	-	42,001
Total Expenditures	\$ 333,075	\$ 60,080	\$ 81,749	\$ 87,001	\$ 64,879	\$ 626,784
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,144	\$ 7,295	\$ (55,650)	\$ (16,142)	\$ (64,864)	\$ (119,217)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	\$ 1,100	\$ -	\$ 54,789	\$ -	\$ -	\$ 55,889
Operating Transfers Out	(38,041)	(16,948)	(200)	-	-	(55,189)
Operating Transfers to Component Units	(31,947)	-	-	-	-	(31,947)
Bond Proceeds	-	-	-	-	64,324	64,324
Total Other Financing Sources (Uses)	\$ (68,888)	\$ (16,948)	\$ 54,589	\$ -	\$ 64,324	\$ 33,077
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (58,744)	\$ (9,653)	\$ (1,061)	\$ (16,142)	\$ (540)	\$ (86,140)
Fund Balance- Beginning of Year	296,039	60,638	5,906	80,098	8,894	451,575
Fund Balance- End of Year	\$ 237,295	\$ 50,985	\$ 4,845	\$ 63,956	\$ 8,354	\$ 365,435

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MARION, MICHIGAN
Reconciliation Of The Statement Of Revenues, Expenditures And Changes In
Fund Balances Of Governmental Funds To The Statements Of Activities
Year Ended February 28, 2005

Net Change In Fund Balances Total Governmental Funds		\$ (86,140)
Amounts Reported For Governmental Activities Are Different Because:		
Governmental Funds Report Capital Outlays As Expenditures; In The Statement Of Activities, These Cost Are Allocated Over Their Estimated Useful Lives As Depreciation		
Depreciation Expenses	\$ (50,535)	
Capital Outlay	<u>89,394</u>	38,859
Repayments Of Bond Principal Is An Expenditure In The Governmental Funds, But Not In The Statement Of Activities		45,000
Accured Interest On Bonds Is Recorded In The Statement Of Activities When Incurred; It Is Not Recorded In The Governmental Funds Until It Is Paid		
Accured Interest - Beginning Of Year	17,779	
Accured Interest - End Of Year	<u>(21,737)</u>	(3,958)
Bond Proceeds Are Recorded As A Receivable In The Governmental Funds, But As An Increase In Bonds Payable In The Statement Of Activities		(64,324)
Receipt Of Principal On Long-Term Receivables Is Recorded As Revenue In The Governmental Funds, It Is Recorded As A Reduction In Receiabies On The Statement Of Activities		(889)
Accured Interest Receivable On Long-Term Receivables Is Not Recorded In The Governmental Funds But Is In The Statement Of Activities		<u>(901)</u>
Change In Net Assets Of Governmental Activities		<u><u>\$ (72,353)</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Proprietary Funds Statement of Net Assets
February, 28, 2005

	Major Funds		
	Water Supply	Sewage Disposal	Totals
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 70,088	\$ 100,153	\$ 170,241
Total Current Assets	\$ 70,088	\$ 100,153	\$ 170,241
<u>Capital Assets</u>			
Land and Land Improvements	\$ 17,550	\$ 20,138	\$ 37,688
Building	-	20,000	20,000
Machinery and Equipment	51,031	22,639	73,670
Water Systems	2,227,214	-	2,227,214
Sewer Systems	-	1,679,009	1,679,009
Less Accumulated Depreciation	(284,050)	(875,650)	(1,159,700)
Net Capital Assets	\$ 2,011,745	\$ 866,136	\$ 2,877,881
Total Assets	\$ 2,081,833	\$ 966,289	\$ 3,048,122
<u>Liabilities</u>			
Account Payable	809	158	967
Customer Deposits Payable	150	-	150
Total Liabilities	\$ 959	\$ 158	\$ 1,117
<u>Net Assets</u>			
Invested in Capital Assets	\$ 2,011,745	\$ 866,136	\$ 2,877,881
Net of Related Debt	69,129	99,995	169,124
Unrestricted	\$ 2,080,874	\$ 966,131	\$ 3,047,005
Total Net Assets			

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Proprietary Funds Statement of Revenues, Expenses and Changes In Fund Net Assets
Year Ended February, 28, 2005

	Major Funds		
	Water Supply	Sewage Disposal	Totals
<u>Operating Revenues</u>			
Charges for Services	\$ 116,728	\$ 47,232	\$ 163,960
<u>Operating Expenses</u>			
Personal Services	\$ 14,177	\$ 8,769	\$ 22,946
Employee Benefits	6,524	3,792	10,316
Administrative Services	6,000	10,000	16,000
Contractual Services	30,276	-	30,276
Office Supplies and Expense	287	971	1,258
Operating Supplies and Expense	15,098	8,286	23,384
Heat, Light and Power	4,963	1,996	6,959
Depreciation	36,089	44,919	81,008
Rentals	3,354	9,721	13,075
Total Operating Expenses	\$ 116,768	\$ 88,454	\$ 205,222
Operating Income (Loss)	\$ (40)	\$ (41,222)	\$ (41,262)
<u>Nonoperating Revenues (Expenses)</u>			
Interest	\$ 101	\$ 703	\$ 804
Rentals	-	2,000	2,000
Write-Off of Old Water System	(49,931)	-	(49,931)
Total Nonoperating Revenues (Expenses)	\$ (49,830)	\$ 2,703	\$ (47,127)
Income (Loss) Before Contributions			
Transfers (Out)	\$ (49,870)	\$ (38,519)	\$ (88,389)
Capital Contributions	1,856,690	-	1,856,690
Transfers (Out)	(200)	(500)	(700)
Change In Net Assets	\$ 1,806,620	\$ (39,019)	\$ 1,767,601
Net Assets- Beginning of Year	274,254	1,005,150	1,279,404
Net Assets- End of Year	\$ 2,080,874	\$ 966,131	\$ 3,047,005

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Proprietary Funds Statement Cash Flows
Year Ended February, 28, 2005

	Major Funds		
	Water Supply	Sewage Disposal	Totals
<u>Cash Flows From Operating Activities</u>			
Receipts From Customers	\$ 116,403	\$ 47,232	\$ 163,635
Other Revenues	325	-	325
Payments To Suppliers	(54,473)	(15,037)	(69,510)
Payments To Employees	(14,177)	(8,769)	(22,946)
Payments To Other Funds	(9,354)	(19,721)	(29,075)
Net Cash Provided (Used) By Operating Activities	\$ 38,724	\$ 3,705	\$ 42,429
<u>Cash Flows From Non-Capital Financing Activities</u>			
Operating Transfers To Other Funds	\$ (200)	\$ (500)	\$ (700)
Other Miscellaneous Revenues	-	2,000	2,000
Net Cash Provided (Used) By Non-Capital Financing Activities	\$ (200)	\$ 1,500	\$ 1,300
<u>Cash Flows From Capital and Related Financing Activities</u>			
Purchase Of Capital Assets	\$(1,868,519)	\$ (20,748)	\$(1,889,267)
Capital Contributions-Water Project	1,856,690	-	1,856,690
Net Cash Provided (Used) By Capital And Related Financing Activities	\$ (11,829)	\$ (20,748)	\$ (32,577)
<u>Cash Flows From Investing Activities</u>			
Interest	\$ 101	\$ 703	\$ 804
Net Increase (Decrease) In Cash and Cash Equivalents	\$ 26,796	\$ (14,840)	\$ 11,956
Cash and Cash Equivalents Beginning Of Year	43,292	114,993	158,285
Cash and Cash Equivalents End Of Year	\$ 70,088	\$ 100,153	\$ 170,241
<u>Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities</u>			
Operating Income (Loss)	\$ (40)	\$ (41,222)	\$ (41,262)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation Expense	36,089	44,919	81,008
Changes In Assets and Liabilities:			
Increase (Decrease) In			
Accounts Payable	25	8	33
Increase (Decrease) In Due To Other Funds	2,650	-	2,650
Net Cash Provided By Operating Activities	\$ 38,724	\$ 3,705	\$ 42,429

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Statement Of Net Asset – Component Units
February 28, 2005

	Marion Community Fire Dept.	Downtown Development Authority	Marion Public Library	Total Component Units
<u>Assets</u>				
Cash	\$ 52,471	\$ 85,600	\$ 274,278	\$ 412,349
Accounts Receivable	18,485	-	2,246	20,731
Total Current Assets	\$ 70,956	\$ 85,600	\$ 276,524	\$ 433,080
Capital Assets	\$ 829,726	\$ 268,509	\$ 312,371	\$ 1,410,606
Less Depreciation	(405,939)	(46,138)	(179,403)	(631,480)
Net Capital Assets	\$ 423,787	\$ 222,371	\$ 132,968	\$ 779,126
Total Assets	<u>\$ 494,743</u>	<u>\$ 307,971</u>	<u>\$ 409,492</u>	<u>\$ 1,212,206</u>
<u>Liabilities</u>				
Accounts Payable	\$ 506	\$ -	\$ 54	\$ 560
Payroll Taxes Payable	-	-	294	294
Retirement Payable			32	32
Accured Interest	219	202	0	421
Total Current Liabilities	\$ 725	\$ 202	\$ 380	\$ 1,307
Noncurrent Liabilities				
Due Within One Year	7,848	16,000	-	23,848
Due In More Than One Year	4,071	64,000	-	68,071
TOTAL LIABILITIES	<u>\$ 12,644</u>	<u>\$ 80,202</u>	<u>\$ 380</u>	<u>\$ 93,226</u>
<u>Net Assets</u>				
Invested In Capital Assets-Net				
Of Related Debt	\$ 411,868	\$ 142,371	\$ 132,968	\$ 687,207
Unrestricted	70,231	85,398	276,144	431,773
Total Net Assets	<u>\$ 482,099</u>	<u>\$ 227,769</u>	<u>\$ 409,112</u>	<u>\$ 1,118,980</u>

The Notes to the Financial Statements are an Integral Part of this Statement

Village of Marion, Michigan
Statement Of Activities--Component Units
Year Ended February 28, 2005

Functions/Programs	Net(Expense) Revenue and Changes In Net Assets			
	Program Revenues	Marion Community Fire Dept.	Downtown Development Authority	Marion Public Library
Charges For Services				
Expenses				Total
Marion Community Fire Dept				
Public Safety	\$ 80,016	\$ 10,750	\$ -	\$ -
Debt Service- Interest On Long-Term Debt				\$ (69,266)
Total Marion Community Fire Dept	<u>730</u> \$ 80,746	<u>\$ 10,750</u>	<u>\$ -</u>	<u>\$ (69,266)</u>
Downtown Development Authority				
General Government				
Buildings and Grounds	\$ 12,724	\$ -	\$ (12,724)	\$ -
Recreation And Culture	5,670	-	(5,670)	-
Debt Service- Interest On Long term Debt	<u>1,003</u>	<u>-</u>	<u>(1,003)</u>	<u>-</u>
Total Downtown Development Authority	<u>\$ 19,397</u>	<u>\$ -</u>	<u>\$ (19,397)</u>	<u>\$ (19,397)</u>
Marion Public Library				
Recreation and Culture	\$ 71,503	\$ 1,407	\$ -	\$ (70,096)
Total Component Units	<u>\$ 171,646</u>	<u>\$ 12,157</u>	<u>\$ (19,397)</u>	<u>\$ (70,096)</u>
				<u>\$ (159,489)</u>
General Revenues				
Property Taxes	\$ -	\$ -	\$ 11,886	\$ 10,357
State-Shared Revenues				\$ 37,142
Contributions From				
Local Units	60,335	-	-	2,990
Interest And Rents	192	1,177	-	2,121
Other Revenues	45,454	20	20	171,499
Intergovernmental Revenues	5,222	26,725	-	-
Total General Revenues	<u>\$ 111,203</u>	<u>\$ 39,808</u>	<u>\$ 224,109</u>	<u>\$ 375,120</u>
Changes In Net Assets	\$ 41,207	\$ 20,411	\$ 154,013	\$ 215,631
Net Assets-Beginning of Year	<u>440,892</u>	<u>207,358</u>	<u>255,099</u>	<u>903,349</u>
Net Assets-End of Year	<u>\$ 482,099</u>	<u>\$ 227,769</u>	<u>\$ 409,112</u>	<u>\$ 1,118,980</u>

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements
February 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Marion, Michigan, was incorporated in 1889. The Village is a general law Village and has adopted Act 3 of 1895 of the State of Michigan as its charter. The Village operates under a council/president form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health, culture-recreation, public improvements and general administrative services. In addition the Village operates water and sewer enterprise funds.

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is consider to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationships to Village</u>
Marion Community Fire Department	Provide fire protection to Village and surrounding participating townships. Village contributes to cost of operation.
Downtown Development Authority	Receive property tax revenues from the Village and Marion Township and use those monies to promote economic growth and increase property tax valuation within the business district.
Marion Public Library	Maintain Community Library for use by Village and participating township residents. The Village levies one mill for operation of the library.

B. Government- wide and Fund Financial Statements

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements and Management' s Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38 and applied those statements on a retroactive basis. GASB statement No.34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Invested In Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset used are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

1. Basic Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Village are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The Village of Marion reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of general obligation bond principal and interest and related costs.

The Village of Marion reports the following major proprietary funds:

The *Water Fund* records financial activity of the water system which provides water to customers.

The *Sewer Fund* records financial activity of the sewage disposal services to its customers.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

2. New Accounting Standard Adopted

In fiscal year 2004 and 2005, the Village adopted GASB Statement No. 33, *Accounting and Financial reporting for Nonexchange Transactions*, which requires recipients of resources from nonexchange transactions to recognize revenues in the period when all eligibility requirements are met and the resources are available. The effect of this standard on the Village's financial statements is that capital contributions of \$1,856,690 were recognized as revenues in 2005. Prior to the adoption of GASB 33, such contributions were reported as contributed capital on the balance sheet.

B. Assets, Liabilities and Equity

1. Deposits and Investments

The Villages cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Investments - The Village' s investment policy is in compliance with state law and authorizes the Village to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor' s or Moody' s and are limited to fifty percent of a funds portfolio in accordance with state statutes.

Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either " due to/from other funds" (i.e., the current portion of interfund loans) or " advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as " due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as " internal balances."

3. Property Taxes

Property taxes attach as an enforceable lien on property as of March 1. Village taxes are levied July 1, and are due by August 15. The Village bills and collects it own property taxes. Village property tax revenues are recognized when levied to the extent that they result in current receivables.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more that \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested process over the same period.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property, plant and equipment are depreciated in the proprietary funds of the government using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land Improvements	10-30
Buildings	20-50
Roads	15-20
Water And Sewer Lines	20-50
Equipment	7-15
Computer Equipment	5
Vehicles	

5. Compensated Absences

The Village has a policy that does not permit employees to accumulate sick pay, bank overtime hours or accumulate unused vacation benefits. At February 28, 2005 there were therefore no deferred compensated absences to be reflected in the financial statements.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary funds types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amount that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 28, the budget committee submits, to the Village Council, a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 28, the budget is legally enacted through passage of resolution. The budget is adopted on an activity level.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.
5. Budgets for the General and Special Revenues Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year. The Village amended its budget on one occasion during the current fiscal year.
6. Budget appropriations lapse at the end of the fiscal year for all funds.
7. Encumbrance accounting, under which purchase orders, contract, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Marion because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-Continued

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government	\$ 97,838	\$ 101,246
Other Financing Sources (Uses)	30,385	68,888
Local Street Fund		
Public Works	30,500	81,749
2002 Debt Retirement Fund	46,000	87,001
Water Supply System		
Operating Expenses	84,925	116,768
Sewage Disposal System		
Operating Expenses	62,050	88,454

The 2002 General Obligation Unlimited Tax Bond Construction Fund had expenditures of \$64,879 but no budget.

Marion Community		
Fire Department		
Expenditures	60,975	105,177

The Downtown Development Authority Fund has budgeted expenditures that exceed beginning fund balance and budgeted revenue by \$52,107.

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government of federal agency obligations; repurchase agreements; bankers' acceptance of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS-Continued

The bank balance of the primary government' s deposits is \$485,186 of which \$200,000 is covered by federal depository insurance and \$285,186 was uninsured and uncollateralized. The component units' deposits had a bank balance of \$412,349 of which \$281,548 was covered by federal depository insurance and \$130,801 was uninsured and uncollateralized.

Investments are categorized into these three categories of credit risk;

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government' s name;
2. Uninsured and unregistered, with securities held by the counterparty' s trust department or agent in the government' s name; and
3. Uninsured and unregistered, with securities hold by the counterparty or by its trust department or agent but not in the Local Governmental Unit' s name.

At year-end, the Local Unit' s deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents (Checking and Savings Accounts , Certificates of Deposits)	<u>\$ 314,945</u>	<u>\$ 170,241</u>	<u>\$ 485,186</u>	<u>\$ 412,349</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government' s individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Major Street	Local Street	Water and Sewer	Bond Payment Fund	Nonmajor and Other Funds	Total	Component Units
Receivables								
Accounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,300
Property Taxes	22,509	-	-	-	-	-	22,509	-
Other Governmental Units	20,451	8,490	5,645	-	-	-	34,586	19,431
Marion Public School Water Project	-	-	-	-	78,809	-	78,809	-
Less: Allowance For Uncollectables	-	-	-	-	-	-	-	-
Net Receivables	<u>\$42,960</u>	<u>\$ 8,490</u>	<u>\$ 5,645</u>	<u>\$ -</u>	<u>\$ 78,809</u>	<u>\$ -</u>	<u>\$135,904</u>	<u>\$ 20,731</u>

Because of the timing of the collection cycle for water and sewer billings and the strict turn-off policies for non payment, the receivables for water and sewer service were immaterial at February 2005 and 2004.

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VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 100,081	\$ -	\$ -	\$ 100,081
Capital Assets Being Depreciated				
Buildings	\$ 296,688	\$ -	\$ -	\$ 296,688
Land Improvements	125,747	1,841	-	127,588
Machinery and Equipment	168,255	14,285	-	182,540
Vehicles	85,127	-	-	85,127
Paved Roads	505,866	69,596	-	575,462
Unpaved Roads	43,496	3,672	-	47,168
Total Capital Assets Being Depreciated	\$ 1,225,179	\$ 89,394	\$ -	\$ 1,314,573
Less Accumulated Depreciation For:				
Buildings	\$ 66,587	\$ 6,260	\$ -	\$ 72,847
Land Improvements	40,863	5,821	-	46,684
Machinery and Equipment	75,963	12,763	-	88,726
Vehicles	83,373	1,754	-	85,127
Paved Roads	273,067	20,915	-	293,982
Unpaved Roads	13,049	3,022	-	16,071
Total Accumulated Depreciation	\$ 552,902	\$ 50,535	\$ -	\$ 603,437
Net Capital Assets Being Depreciated	\$ 672,277	\$ 38,859	\$ -	\$ 711,136
Total Governmental Activities, Net Of Depreciation	\$ 772,358	\$ 38,859	\$ -	\$ 811,217

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 5 - CAPITAL ASSETS-continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business - Type Activites				
<u>Sewer</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 20,138	\$ -	\$ -	\$ 20,138
Capital Assets Being Depreciated				
Buildings	\$ 20,000	\$ -	\$ -	\$ 20,000
Machinery and Equipment	20,920	1,719	-	22,639
Collection System	1,038,158	14,788	-	1,052,946
Lift Station	109,431	4,241	-	113,672
Treatment System	512,391	-	-	512,391
Total Capital Assets Being Depreciated	\$ 1,700,900	\$ 20,748	\$ -	\$ 1,721,648
Less Accumulated Depreciation For:				
Buildings	\$ 1,000	\$ 400	\$ -	\$ 1,400
Machinery and Equipment	16,655	1,624	-	18,279
Collection System	522,784	20,890	-	543,674
Lift Station	72,170	4,220	-	76,390
Treatment System	218,122	17,785	-	235,907
Total Accumulated Depreciation	\$ 830,731	\$ 44,919	\$ -	\$ 875,650
Net Capital Assets Being Depreciated-Sewer	\$ 870,169	\$(24,171)	\$ -	\$ 845,998
Net Sewer Capital Assets	\$ 890,307	\$(24,171)	\$ -	\$ 866,136

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 5 - CAPITAL ASSETS-continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business - Type Activities-continued				
<u>Water</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 12,150	\$ -	\$ -	\$ 12,150
Capital Assets Being Depreciated				
Land Improvements	\$ -	\$ 5,400	\$ -	\$ 5,400
Machinery and Equipment	29,433	21,598	-	51,031
Wells, Pumps and Pump House	166,414	81,260	-	247,674
Mains and Connections	286,542	1,757,303	234,324	1,809,521
Towers	126,875	-	-	126,875
Meters	53,870	2,958	13,684	43,144
Total Capital Assets Being Depreciated	\$ 663,134	\$ 1,868,519	\$ 248,008	\$ 2,283,645
Less Accumulated Depreciation For:				
Land Improvements	\$ -	\$ 180	\$ -	\$ 180
Machinery and Equipment	24,319	3,306	-	27,625
Wells, Pumps and Pump House	124,715	6,177	-	130,892
Mains and Connections	192,073	20,960	184,836	28,197
Towers	72,830	3,821	-	76,651
Meters	32,101	1,645	13,241	20,505
Total Accumulated Depreciation	\$ 446,038	\$ 36,089	\$ 198,077	\$ 284,050
Net Capital Assets Being Depreciated-Water	\$ 217,096	\$ 1,832,430	\$ 49,931	\$ 1,999,595
Net Water Capital Assets	\$ 229,246	\$ 1,832,430	\$ 49,931	\$ 2,011,745
Total Business- Type Activities- Net Of Depreciation	\$ 1,119,553	\$ 1,808,259	\$ 49,931	\$ 2,877,881

Depreciation Expense Was Charged to Functions/Programs Of The Primary Government As Follows:

Governmental Activities:	
General Government	\$ 6,435
Public Safety	3,802
Public Works	15,069
Recreation and Culture	1,294
Major Streets	9,245
Local Streets	14,690
Total Depreciation- Governmental Activities	\$ 50,535
Business-Type Activities	
Sewer	\$ 44,919
Water	36,089
Total Depreciation Expenses- Business-Type Activities	\$ 81,008

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VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 5 - CAPITAL ASSETS-continued

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Discretely Presented Component Units</u>				
<u>Fire Department</u>				
Capital Assets, Not Being Depreciated	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated				
Buildings	\$ 33,677	\$ -	\$ -	\$ 33,677
Machinery And Equipment	281,668	65,132	-	346,800
Vehicles	449,249	-	-	449,249
Total Capital Assets Being Depreciated	\$ 764,594	\$ 65,132	\$ -	\$ 829,726
Less Accumulated Depreciation For:				
Buildings	\$ 11,374	\$ 807	\$ -	\$ 12,181
Machinery And Equipment	114,074	21,143	-	135,217
Vehicles	240,520	18,021	-	258,541
Total Accumulated Depreciation	\$ 365,968	\$ 39,971	\$ -	\$ 405,939
Net Capital Assets Being Depreciated	\$ 398,626	\$ 25,161	\$ -	\$ 423,787
Net Fire Department Capital Assets	<u>\$ 398,626</u>	<u>\$ 25,161</u>	<u>\$ -</u>	<u>\$ 423,787</u>
<u>Downtown Development Authority</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 74,284	\$ -	\$ -	\$ 74,284
Capital Assets Being Depreciated				
Buildings	\$ 505	\$ 93,356	\$ -	\$ 93,861
Land Improvements	67,764	25,369	-	93,133
Machinery And Equipment	7,231	-	-	7,231
Total Capital Assets Being Depreciated	\$ 75,500	\$ 118,725	\$ -	\$ 194,225
Less Accumulated Depreciation For:				
Buildings	\$ 2	\$ 944	\$ -	\$ 946
Land Improvements	36,883	5,116	-	41,999
Machinery And Equipment	2,730	463	-	3,193
Total Accumulated Depreciation	\$ 39,615	\$ 6,523	\$ -	\$ 46,138
Net Capital Assets Being Depreciated	\$ 35,885	\$ 112,202	\$ -	\$ 148,087
Net Downtown Development Authority Capital Assets	<u>\$ 110,169</u>	<u>\$ 112,202</u>	<u>\$ -</u>	<u>\$ 222,371</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 5 - CAPITAL ASSETS-continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Discretely Presented Component Units-Continued</u>				
<u>Library</u>				
Capital Assets Not Being Depreciated				
Land	\$ 13,223	\$ -	\$ -	\$ 13,223
Capital Assets Being Depreciated				
Buildings	\$ 140,666	\$ -	\$ -	\$ 140,666
Land Improvements	8,751	-	-	8,751
Machinery And Equipment	46,106	3,349		49,455
Library Books	94,404	5,872	-	100,276
Total Capital Assets Being Depreciated	\$ 289,927	\$ 9,221	\$ -	\$ 299,148
Less Accumulated Depreciation For:				
Buildings	\$ 49,373	\$ 2,813	\$ -	\$ 52,186
Land Improvements	931	414	-	1,345
Machinery And Equipment	37,772	1,199		38,971
Library Books	81,481	5,420	-	86,901
Total Accumulated Depreciation	\$ 169,557	\$ 9,846	\$ -	\$ 179,403
Net Capital Assets Being Depreciated	\$ 120,370	\$ (625)	\$ -	\$ 119,745
Net Library Capital Assets Being Depreciated	\$ 133,593	\$ (625)	\$ -	\$ 132,968
Total Discretely Present Component Units, Net Of Depreciated	\$ 642,388	\$ 136,738	\$ -	\$ 779,126

Depreciation Expenses Was Charged To Functions/Programs Of The Discretely Presented Component Units As Follows:

Fire Department	\$ 39,971
Downtown Development Authority	6,523
Library	9,846
Total Depreciation Expense-Discretely Presented Component Units	\$ 56,340

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Fund</u>	<u>Interfund Receivables Due From's</u>	<u>Interfunds Payables Due To's</u>
General Fund		
Major Street Fund	\$ 1,068	\$ -
Local Street Fund	23,316	-
Major Street Fund		
Local Street Fund	105	-
General Fund	-	1,068
Local Street Fund		
General Fund	-	23,316
Major Street Fund	-	105
	<u>\$ 24,489</u>	<u>\$ 24,489</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Major Street Fund	\$ 200	\$ -
Local Street Fund	200	38,041
Water Supply System	200	-
Sewage Disposal System	500	-
Component Units:		
Marion Community Fire Dept	-	5,222
Downtown Development Authority	-	26,725
Major Street Fund	-	-
General Fund	-	200
Local Street Fund	-	16,748
Local Street Fund		
General Fund	38,041	200
Major Street Fund	16,748	-
Water Supply System		
General Fund	-	200
Sewage Disposal System		
General Fund	-	500
Component Units		
Marion Community Fire Dept		
General Fund	5,222	-
Downtown Development Authority		
General Fund	26,725	
Totals	<u>\$ 87,836</u>	<u>\$ 87,836</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 7 - LEASES

Capital Lease

On October 16, 2001 the Marion Community Fire Department acquired a 2001 International 4700 Cab and Chassis under the provisions of a long-term lease. For financial reporting purposes minimum lease payments relating to the asset have been capitalized. The property under capital lease has a cost of \$37,472.

The future minimum lease payments under capital lease and the net present value of the future minimum lease payments at February 28, 2005 are as follows:

Total Minimum Lease Payments	\$ 12,512
Amount Representing Interest	<u>594</u>
Present Value of Net Minimum Lease Payments	\$ 11,918
Current Portion	<u>7,848</u>
Long-Term Capital Lease Obligation	<u><u>\$ 4,070</u></u>

The annual minimum lease payments under the long-term capital lease existing at February 28, 2005 are:

February 28, 2006	8,341
February 28, 2007	<u>4,171</u>
	<u><u>\$ 12,512</u></u>

Commercial Lease

On July 10, 2003 the Marion Downtown Development Authority (DDA) entered into an agreement with Jenkins Oil Co. whereby the DDA would lease real estate to be used as a commercial parking lot. The original term of the lease is for 20 years and will automatically renew for 10 successive 1 year terms unless the DDA gives written notice not to renew after the original 20 year period. Rent for the initial 20 year term is \$19,500 based on a cost estimate for demolition of the building located on the real estate. Rent for renewal periods is \$1.00 per year. The DDA is responsible for all expenses for maintaining of the property including real estate taxes, insurance, utilities, snow plowing and waste disposal. The DDA has an exclusive right to purchase the leased real estate when the lessor desires to sell the property as set forth in the agreement.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 8 - CHANGES IN LONG TERM DEBT

The following is a summary of debt transactions of the Village of Marion for the year ended February 28, 2005.

Governmental Activities:

	<u>General Obligation Bonds</u>
2002 General Unlimited Tax	
Water Bonds	
Debt Payable at February 29 2004	\$ 1,719,056
New Debt Issued	64,327
Debt Retired	(45,000)
Debt Payable at February 28, 2005	<u>\$ 1,738,383</u>

Component Units:

Marion Community Fire Dept

Fire Truck

Debt Payable at February 29, 2004	\$ 19,393
New Debt	-
Debt Retired	(7,474)
Debt Payable at February 28, 2005	<u>\$ 11,919</u>

Downtown Development Authority

Term Note-Fifth Third Bank

Debt Payable At February 29, 2004	\$ -
New Debt	80,000
Debt Retired	-
Debt Payable at February 28, 2005	<u>\$ 80,000</u>

Debt payable at February 28, 2005 is comprised of the following individual issues:

Governmental Activities

General Obligation

\$1,783,383 2002 General Obligation Unlimited Tax Bonds due in annual installments of \$45,000 to 85,000 through April 1, 2032; interest at 2.5%

\$ 1,738,386

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 8 - CHANGES IN LONG TERM DEBT-Continued

Component Units:

	General Obligation Bonds
Marion Community Fire Dept Fire Truck Capital Lease Due In Semi annual Installments of \$4171 Through April 16, 2006	11,919
Downtown Development Authority Term Note Due In Semi-Annual Payments of \$8,000 Plus Interest At 7% Beginning April 15, 2005 Through Maturity At January 15, 2010. New Debt	80,000 <u>\$ 91,919</u>

The annual debt service requirements to maturity for the above obligation is as follows:

Year Ending February 28,	Principal	Interest	Total
2006	\$ 45,000	\$ 42,905	\$ 87,905
2007	45,000	41,772	86,772
2008	45,000	40,647	85,647
2009	50,000	39,460	89,460
2010	50,000	38,210	88,210
2011	50,000	36,960	86,960
2012	50,000	35,710	85,710
2013	50,000	34,460	84,460
2014	55,000	33,147	88,147
2015	55,000	31,772	86,772
2016	55,000	30,397	85,397
2017	60,000	28,960	88,960
2018	60,000	27,460	87,460
Sub Totals	<u>\$ 670,000</u>	<u>\$ 461,860</u>	<u>\$ 1,131,860</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 8 - CHANGES IN LONG TERM DEBT-continued

The annual debt service requirements to maturity for the above obligation is as follows:-continued

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Balance Forward	\$ 670,000	\$ 461,860	\$ 1,131,860
2019	60,000	25,960	85,960
2020	60,000	24,460	84,460
2021	65,000	22,897	87,897
2022	65,000	21,272	86,272
2023	65,000	19,647	84,647
2024	65,000	18,022	83,022
2025	65,000	16,397	81,397
2026	65,000	14,772	79,772
2027	75,000	13,022	88,022
2028	75,000	11,147	86,147
2029	80,000	9,210	89,210
2030	80,000	7,210	87,210
2031	80,000	5,210	85,210
2032	85,000	3,147	88,147
2033	83,386	1,042	84,428
Total	<u>\$ 1,738,386</u>	<u>\$ 675,275</u>	<u>\$ 2,413,661</u>

The debt service requirements to maturity for the fire truck capital lease is as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 7,848	\$ 494	\$ 8,342
2007	4,070	101	4,171
	<u>\$ 11,918</u>	<u>\$ 595</u>	<u>\$ 12,513</u>

The debt services requirements to maturity for the term loan with Fifth Third Bank is as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 16,000	\$ 4,054	\$ 20,054
2007	16,000	4,200	20,200
2008	16,000	3,080	19,080
2009	16,000	1,960	17,960
2010	16,000	840	16,840
	<u>\$ 80,000</u>	<u>\$ 14,134</u>	<u>\$ 94,134</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 9 - INTEREST INCOME AND INTEREST EXPENSE

Individual fund interest income and interest expense for the primary government for the year ended February 28, 2005 were:

	<u>Interest Income</u>	<u>Interest Expense</u>
General Fund	\$ 1,224	\$ -
Special Revenue Funds		
Major Street Fund	382	-
Local Street Fund	5	-
Debt Service Fund		
2002 General Obligation Unlimited		
Tax Bonds Debt Retirement Fund	2,932	41,854
Capital Projects Fund		
Industrial Complex Construction Fund	15	
Enterprise Fund		
Water Supply System	101	
Sewage Disposal	703	
	<u>\$ 5,362</u>	<u>\$ 41,854</u>

Interest income and interest expense for the component units for the year ended February 28, 2005 was:

	<u>Interest Income</u>	<u>Interest Expense</u>
Marion Community Fire Dept	\$ 192	\$ 867
Downtown Development Authority	577	280
Marion Public Library	2,121	-
	<u>\$ 2,890</u>	<u>\$ 1,147</u>

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

Plan Description and Provisions

The Village participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at:

MERS
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, MI 48917

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS-continued

Funding Status and Progress

The obligation to contribute to the system for these employees was established by the Village Council under Act 427 of Public Acts of 1984 and administered by the State of Michigan. The covered payroll for the year ended February 28, 2005 was \$158,124. The amount contributed by the Village based on 76.5% of covered payroll. The plan required a contribution from the employees of 3% of the covered wages.

Annual Pension Cost

The annual required contribution was determined as part of an actuarial valuation at December 31, using the entry actual age cost method. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 8.40% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year annually after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of 30 years.

Three-Trend Information for MERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2/28/2003	6612	100.00%	0
2/29/2004	5533	100.00%	0
2/28/2005	6548	100.00%	0

Schedule of Funding Progress for MRS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarially	Unfunded	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as	
		Accured Liability(AAL) Entry Age (b)	(Overfunded) AAL (UAAL) (b-a)			a	
							Percentage of Covered Payroll ((b-a)/c)
12/31/2002	245,957	304,367	58,410	81%	135,715	43%	
12/31/2003	270,275	331,376	61,101	82%	152,886	40%	
12/31/2004	292,316	353,325	61,009	83%	156,198	39%	

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2005

NOTE 11 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries (workers' compensation) as well as medical benefits provided to employees. The Village has purchased commercial insurance through the Michigan Municipal Liability and Property pool.

NOTE 12 - 2002 GENERAL OBLIGATION UNLIMITED TAX BOND
RETIREMENT FUND RECEIVABLE

The water project completed during 2005 contained the cost of the new system extended to the Marion Public Schools of \$78,733. The school is making payments for their portion of the project to the Village in semi-annual payments of \$1,873 including interest at 2.5%. At February 28, 2005, \$77,844 was receivable from the school.

Village of Marion, Michigan
Required Supplementary Information Budgetary Comparison Schedule
Major Governmental Funds
Year Ended February 28, 2005

	General Fund				Major Street Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue								
Taxes	\$ 130,585	\$ 130,585	\$ 134,144	\$ 3,559	\$ -	\$ -	\$ -	\$ -
State Grants	112,822	112,822	117,481	4,659	61,462	61,462	66,993	5,531
Charges For Services	33,100	33,100	35,215	2,115	-	-	-	-
Interest and Rentals	4,130	4,130	3,432	(698)	330	330	382	52
Other Revenues	92,000	92,000	52,947	(39,053)	-	-	-	-
Total Revenue	\$ 372,637	\$ 372,637	\$ 343,219	\$ (29,418)	\$ 61,792	\$ 61,792	\$ 67,375	\$ 5,583
Expenditures								
Legislative	\$ 28,700	\$ 28,700	\$ 20,802	\$ 7,898	\$ -	\$ -	\$ -	\$ -
General Government	97,838	97,838	101,246	(3,408)	-	-	-	-
Public Safety	60,208	60,208	56,504	3,704	75,500	75,500	60,080	15,420
Public Works	124,960	124,960	80,705	44,255	-	-	-	-
Recreation and Culture	35,255	35,255	26,457	8,804	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Functions	53,868	53,868	47,361	6,507	-	-	-	-
Total Expenditures	\$ 400,829	\$ 400,829	\$ 333,075	\$ 67,760	\$ 75,500	\$ 75,500	\$ 60,080	\$ 15,420
Excess (Deficiency) of Revenues Over(Under) Expenditures	\$ (28,192)	\$ (28,192)	\$ 10,144	\$ 38,336	\$ (13,708)	\$ (13,708)	\$ 7,295	\$ 21,003
Other Financing Sources (Uses)								
Operating Transfers In	\$ -	\$ -	\$ 1,100	\$ 1,100	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	(38,041)	(38,041)	(15,566)	(15,566)	(16,948)	(1,382)
Operating Transfers From (To) Component Units	(30,385)	(30,385)	(31,947)	(1,562)	-	-	-	-
Total Other Financing Sources(Uses)	\$ (30,385)	\$ (30,385)	\$ (68,888)	\$ (38,503)	\$ (15,566)	\$ (15,566)	\$ (16,948)	\$ (1,382)
Net Change In Fund Balance	\$ (58,577)	\$ (58,577)	\$ (58,744)	\$ (167)	\$ (29,274)	\$ (29,274)	\$ (9,653)	\$ 19,621
Fund Balance- Beginning of Year	296,039	296,039	296,039	-	60,638	60,638	60,638	-
Fund Balance-End of Year	\$ 237,462	\$ 237,462	\$ 237,295	\$ (167)	\$ 31,364	\$ 31,364	\$ 50,985	\$ 19,621

Local Street Fund				2002 General Obligation Unlimited Tax Bond Debt Retirement Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 61,440	\$ 61,440	\$ 67,927	\$ 6,487
21,300	21,300	26,094	4,794	-	-	-	-
-	-	-	-	-	-	-	-
75	75	5	(70)	1,963	1,963	2,932	969
-	-	-	-	-	-	-	-
<u>\$ 21,375</u>	<u>\$ 21,375</u>	<u>\$ 26,099</u>	<u>\$ 4,724</u>	<u>\$ 63,403</u>	<u>\$ 63,403</u>	<u>\$ 70,859</u>	<u>\$ 7,456</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,000	1,000	147	853
30,500	30,500	81,749	(51,249)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	45,000	(45,000)
-	-	-	-	45,000	45,000	41,854	3,146
-	-	-	-	-	-	-	-
<u>\$ 30,500</u>	<u>\$ 30,500</u>	<u>\$ 81,749</u>	<u>\$ (51,249)</u>	<u>\$ 46,000</u>	<u>\$ 46,000</u>	<u>\$ 87,001</u>	<u>\$ (41,001)</u>
\$ (9,125)	\$ (9,125)	\$ (55,650)	\$ (46,525)	\$ 17,403	\$ 17,403	\$ (16,142)	\$ (33,545)
\$ 15,366	\$ 15,366	\$ 54,789	\$ 39,423	\$ -	\$ -	\$ -	\$ -
(200)	(200)	(200)	-	-	-	-	-
-	-	-	-	10,000	10,000	-	(10,000)
<u>\$ 15,166</u>	<u>\$ 15,166</u>	<u>\$ 54,589</u>	<u>\$ 39,423</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>
\$ 6,041	\$ 6,041	\$ (1,061)	\$ (7,102)	\$ 27,403	\$ 27,403	\$ (16,142)	\$ (43,545)
5,906	5,906	5,906	-	80,098	80,098	80,098	-
<u>\$ 11,947</u>	<u>\$ 11,947</u>	<u>\$ 4,845</u>	<u>\$ (7,102)</u>	<u>\$ 107,501</u>	<u>\$ 107,501</u>	<u>\$ 63,956</u>	<u>\$ (43,545)</u>

VILLAGE OF MARION, MICHIGAN
General Fund
Comparative Balance Sheet
February 28, 2005

	2005	2004
<u>ASSETS</u>		
Cash	\$ 176,556	\$ 252,451
Receivables		
Real Property Tax	22,509	21,511
Due From Other Funds		
Major Street Fund	1,068	3,677
Local Street Fund	23,316	6,579
2002 General Obligation Unlimited		
Tax Bonds Construction Fund	-	100
Due From Other Governmental Units	20,451	20,022
TOTAL ASSETS	<u>\$ 243,900</u>	<u>\$ 304,340</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,987	\$ 3,253
Due to Other Funds		
Industrial Complex Construction Fund	-	4,251
Retirement Withholdings	358	342
Payroll Tax Withholdings	3,241	-
Accrued Taxes Payable		
Retirement	-	434
State Unemployment	19	21
TOTAL LIABILITIES	<u>\$ 6,605</u>	<u>\$ 8,301</u>
<u>FUND BALANCE</u>		
Unreserved	\$ 237,295	\$ 296,039
TOTAL FUND BALANCE	<u>\$ 237,295</u>	<u>\$ 296,039</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 243,900</u>	<u>\$ 304,340</u>

VILLAGE OF MARION, MICHIGAN
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
REVENUES			
Taxes	\$ 130,585	\$ 134,144	\$ 130,012
State Grants	112,822	117,481	120,525
Charges For Services	33,100	35,215	32,496
Fines and Forfeits	-	-	12
Interest and Rentals	4,130	3,432	4,480
Other Revenues	92,000	52,947	88,892
TOTAL REVENUES	\$ 372,637	\$ 343,219	\$ 376,417
EXPENDITURES			
Legislative			
Village Council	\$ 28,700	\$ 20,802	\$ 22,763
General Government			
Village President	9,600	9,400	9,400
Elections	750	506	552
Independent Audit	8,700	8,509	8,500
Attorney	4,000	4,110	3,234
Clerk	36,748	32,037	27,629
Treasurer's Office	17,565	17,601	14,827
Building and Grounds	20,475	29,083	23,640
Public Safety			
Police Department	59,208	55,604	48,880
Planning Commission	1,000	900	1,200
Public Works			
Stores and Garage	107,160	66,039	54,100
Highways, Streets and Bridges	16,000	14,154	14,306
Sanitation	1,800	512	861
Recreation and Cultural			
Recreation/Parks Department	35,255	26,457	24,687
Other Functions			
Employee Benefits	52,168	45,228	41,813
Community Promotion	1,700	2,133	1,638
TOTAL EXPENDITURES	\$ 400,829	\$ 333,075	\$ 298,030
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (28,192)	\$ 10,144	\$ 78,387
OTHER FINANCING SOURCES (USES)			
Operating Transfers From Other Funds	-	1,100	1,100
Operating Transfers To Other Funds	-	(38,041)	(21,945)
Operating Transfers To Component Units	(30,385)	(31,947)	(31,569)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (58,577)	\$ (58,744)	\$ 25,973
FUND BALANCE - Beginning of Year	296,039	296,039	270,066
FUND BALANCE - End of Year	\$ 237,462	\$ 237,295	\$ 296,039

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
REVENUES			
Taxes			
Current Tax Levy	\$ 128,385	\$ 130,408	\$ 127,430
Penalties and Interest	400	1,400	615
Tax Collection Fees	1,800	2,336	1,967
TOTAL TAXES	\$ 130,585	\$ 134,144	\$ 130,012
State Grants			
State Shared Revenues			
Sales and Use Tax	\$ 111,307	\$ 112,822	\$ 119,019
Ordinance Fees	15		
Metro Authority	-	3,157	-
Liquor License	1,500	1,502	1,506
TOTAL STATE GRANTS	\$ 112,822	\$ 117,481	\$ 120,525
Charges For Services			
Copy Fees	\$ -	\$ 7	\$ 11
Administration Fees	24,600	23,700	23,250
Park and Camping Fees	8,500	11,328	9,066
Zoning Fees	-	180	175
Dog Licenses	-	-	(6)
TOTAL CHARGES FOR SERVICES	\$ 33,100	\$ 35,215	\$ 32,496
Fines and Forfeits			
Ordinance Fees	\$ -	\$ -	\$ 12
Interest and Rentals			
Interest	\$ 1,000	\$ 1,224	\$ 1,429
Property Lease	600	600	1,328
Tele-Communications Act	730	-	-
Cable Franchise Fees	1,800	1,608	1,723
TOTAL INTEREST AND RENTS	\$ 4,130	\$ 3,432	\$ 4,480

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL 2005	2004
REVENUES - Continued			
Other Revenue			
Equipment Rental	\$ 44,500	\$ 34,410	\$ 55,463
Sale of Lots	-	15,000	30,000
Sale of Trees	-	-	3,000
Sale of Other Fixed Assets	-	733	429
Refunds and Rebates	-	2,369	-
Salary Reimbursements	47,500		-
Miscellaneous	-	435	-
TOTAL OTHER REVENUES	\$ 92,000	\$ 52,947	\$ 88,892
TOTAL REVENUES	\$ 372,637	\$ 343,219	\$ 376,417
EXPENDITURES			
Legislative			
Village Council			
Salaries and Wages	\$ 8,400	\$ 6,600	\$ 6,500
Memberships and Dues	1,200	1,139	1,133
Transportation	100	-	29
Liability Insurance	15,000	11,047	12,024
Printing and Publishing	4,000	2,016	2,977
Miscellaneous	-	-	100
TOTAL LEGISLATIVE	\$ 28,700	\$ 20,802	\$ 22,763
General Government			
Village President			
Salaries and Wages	\$ 3,500	\$ 3,400	\$ 3,400
Projects Director	\$ 6,000	\$ 6,000	\$ 6,000
Transportation	100	-	-
	\$ 9,600	\$ 9,400	\$ 9,400
Elections			
Salaries and Wages	\$ 300	\$ 360	\$ -
Office Supplies	150	52	552
Printing and Publishing	300	94	-
	\$ 750	\$ 506	\$ 552
Independent Audit and Accounting Attorney	\$ 8,700	\$ 8,509	\$ 8,500
	\$ 4,000	\$ 4,110	\$ 3,234

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL 2,005	ACTUAL 2,004
<u>EXPENDITURES</u> - Continued			
General Government - Continued			
Clerk			
Salaries and Wages	\$ 26,248	\$ 25,236	\$ 24,318
Office Supplies	2,500	2,208	2,108
Computer Services	6,000	1,916	1,203
Capital Outlay	2,000	2,677	-
	<u>\$ 36,748</u>	<u>\$ 32,037</u>	<u>\$ 27,629</u>
Treasurer			
Salaries and Wages	\$ 12,515	\$ 12,508	\$ 12,302
Office Supplies	2,500	1,925	2,083
Contractual Services	550	491	442
Capital Outlay	2,000	2,677	-
	<u>\$ 17,565</u>	<u>\$ 17,601</u>	<u>\$ 14,827</u>
Building and Grounds			
Salaries and Wages	\$ 3,025	\$ 3,258	\$ 2,979
Operating Supplies	-	124	461
Communications	4,700	4,607	4,599
Insurance	1,000	753	732
Utilities	7,500	6,860	6,609
Repair and Maintenance	3,000	6,127	4,659
Primary Sidewalk Construction	1,250		
Capital Outlay - Buildings	-	1,552	3,601
Capital Outlay-Land Improvements		5,802	-
	<u>\$ 20,475</u>	<u>\$ 29,083</u>	<u>\$ 23,640</u>
 TOTAL GENERAL GOVERNMENT	 <u>\$ 97,838</u>	 <u>\$ 101,246</u>	 <u>\$ 87,782</u>

- Continued

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
EXPENDITURES - Continued			
Public Safety			
Police Department			
Salaries and Wages	\$ 39,878	\$ 42,451	\$ 39,087
Insurance Reimbursement	4,600	5,423	647
Office Supplies	1,000	632	445
Communications	480	-	-
Repair and Maintenance	1,500	120	499
Operating Supplies	2,000	853	1,464
Vehicle Expense	4,000	1,401	2,303
Dues	150	335	100
Insurance	2,800	2,670	2,633
Education and Training	800	1,349	157
Capital Outlay	2,000	370	1,545
TOTAL PUBLIC SAFETY	\$ 59,208	\$ 55,604	\$ 48,880
Planning Commission			
Salaries and Wages	\$ 1,000	\$ 900	\$ 1,200
Public Works			
Stores and Garage			
Salaries and Wages	\$ 74,910	\$ 33,757	\$ 27,970
Operating Supplies	8,000	3,527	6,268
Gas and Oil	5,000	5,699	3,972
Insurance	3,750	2,764	2,739
Repair and Maintenance	8,000	12,385	6,646
Education and Training	-	44	-
Uniform Rental	-	856	950
Capital Outlay - Equipment	5,000	7,007	5,555
Capital Outlay - Building	2,500	-	-
	\$ 107,160	\$ 66,039	\$ 54,100
Highways, Streets and Bridges			
Street Lighting	\$ 16,000	\$ 13,971	\$ 14,306
Bridge Maintenance	-	183	-
	\$ 16,000	\$ 14,154	\$ 14,306
Sanitation			
Salaries and Wages	\$ 1,000	\$ 72	\$ 861
Contractual Services	800	440	-
	\$ 1,800	\$ 512	\$ 861
TOTAL PUBLIC WORKS	\$ 124,960	\$ 80,705	\$ 69,267

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
<u>EXPENDITURES</u> - Continued			
Recreation and Culture			
Recreation/Parks Department			
Salaries and Wages	\$ 10,175	\$ 10,907	\$ 10,655
Operating Supplies	-	38	87
Contractal Services	530		
Communications	650	856	667
Printing and Publishing	600	761	660
Utilities	4,000	3,576	3,647
Repair and Maintenance	4,000	2,767	1,530
Insurance	300	506	77
Capital Outlay	15,000	7,046	7,364
TOTAL RECREATION AND CULTURE	\$ 35,255	\$ 26,457	\$ 24,687
Other Functions			
Employee Benefits			
Social Security and Medicare	\$ 12,537	\$ 11,202	\$ 13,537
Health and Life Insurance	29,000	27,337	16,871
Retirement	5,684	1,259	3,823
Unemployment	1,147	18	(129)
Workmen's Compensation	3,800	3,312	2,663
Prescription Reimbursements	-	2,100	3,503
Other Miscellaneous	-	-	1,545
	52,168	45,228	41,813
Community Promotion			
Christmas Decorations	\$ 1,700	\$ 2,133	\$ 1,638
TOTAL OTHER FUNCTIONS	\$ 53,868	\$ 47,361	\$ 43,451

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
<u>EXPENDITURES</u> - Continued			
TOTAL EXPENDITURES	\$ 400,829	\$ 333,075	\$ 298,030
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (28,192)	\$ 10,144	\$ 78,387
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers From Other Funds	-	1,100	1,100
Operating Transfers To Other Fund	-	(38,041)	(21,945)
Operating Transfers To Component Units	(30,385)	(31,947)	(31,569)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	\$ (58,577)	\$ (58,744)	\$ 25,973
<u>FUND BALANCE</u> - Beginning of Year	296,039	296,039	270,066
<u>FUND BALANCE</u> - End of Year	\$ 237,462	\$ 237,295	\$ 296,039

VILLAGE OF MARION, MICHIGAN
Major Street Fund
Comparative Balance Sheet
February 28, 2005

	2005	2004
<u>ASSETS</u>		
Cash	\$ 43,458	\$ 55,475
Due From Other Funds		
Local Street Fund	105	-
Due From Other Governments		
State Revenue Sharing - Act 51	8,490	8,912
	<u>52,053</u>	<u>64,387</u>
TOTAL ASSETS		
	<u>\$ 52,053</u>	<u>\$ 64,387</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds		
General Fund	\$ 1,068	\$ 3,677
Local Street Fund	-	72
	<u>1,068</u>	<u>3,749</u>
TOTAL LIABILITIES		
	<u>\$ 1,068</u>	<u>\$ 3,749</u>
<u>FUND BALANCE</u>		
Unreserved	<u>50,985</u>	<u>60,638</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 52,053</u>	<u>\$ 64,387</u>

VILLAGE OF MARION, MICHIGAN
Major Street Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
REVENUES			
State Grants			
State Revenue Sharing - Act 51	\$ 61,462	\$ 66,993	\$ 64,259
Interest and Miscellaneous			
Interest	330	382	379
TOTAL REVENUES	\$ 61,792	\$ 67,375	\$ 64,638
EXPENDITURES			
Public Works			
Routine Maintenance			
Construction	\$ 40,000	\$ 24,272	\$ 11,929
Engineering	-	1,380	-
Salaries and Wages	6,000	4,469	11,655
Office Supplies	-	5	-
Repair and Maintenance	5,000	10,912	3,704
Equipment Rentals	6,000	4,171	14,622
Leave and Benefits	-	1,510	2,064
Winter Maintenance			
Salaries and Wages	6,000	1,977	3,100
Equipment Rentals	6,000	3,986	5,562
Leave and Benefits	-	998	1,842
Administration Fees	5,000	5,000	5,000
Independent Audit and Accounting	1,500	1,400	1,400
TOTAL EXPENDITURES	\$ 75,500	\$ 60,080	\$ 60,878

- Continued -

VILLAGE OF MARION, MICHIGAN
Major Street Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	BUDGET	ACTUAL	
		2005	2004
<u>EXPENDITURES</u> - Continued			
Excess (Deficiency) of Revenues over Expenditures	\$ (13,708)	\$ 7,295	\$ 3,760
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers From Other Funds	\$ -	\$ -	\$ 11,929
Operating Transfers To Other Funds	(15,566)	(16,948)	(16,265)
	<u>\$ (15,566)</u>	<u>\$ (16,948)</u>	<u>\$ (4,336)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (29,274)	\$ (9,653)	\$ (576)
<u>FUND BALANCE</u> - Beginning of Year	60,638	60,638	61,214
<u>FUND BALANCE</u> - End of Year	<u>\$ 31,364</u>	<u>\$ 50,985</u>	<u>\$ 60,638</u>

VILLAGE OF MARION, MICHIGAN
Local Street Fund
Comparative Balance Sheet
February 28, 2005

	2005	2004
<u>ASSETS</u>		
Cash	\$ 22,621	\$ 8,140
Due From Other Governments		
State Revenue Sharing - Act 51	5,645	4,273
Due From Other Funds		
Major Street Fund		72
TOTAL ASSETS	<u>\$ 28,266</u>	<u>\$ 12,485</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds		
General Funds	\$ 23,316	\$ 6,579
Major Street Fund	105	-
TOTAL LIABILITIES	<u>\$ 23,421</u>	<u>\$ 6,579</u>
<u>FUND BALANCE</u>		
Unreserved	<u>4,845</u>	<u>5,906</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 28,266</u>	<u>\$ 12,485</u>

VILLAGE OF MARION, MICHIGAN
Local Street Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL 2005	ACTUAL 2004
REVENUES			
State Grants			
State Revenue Sharing - Act 51	\$ 21,300	\$ 26,094	\$ 22,869
Interest and Miscellaneous			
Interest	75	5	80
TOTAL REVENUES	\$ 21,375	\$ 26,099	\$ 22,949
EXPENDITURES			
Public Works			
Routine Maintenance			
Construction	\$ -	\$ 38,275	\$ 51,466
Salaries and Wages	4,500	8,755	8,234
Repair and Maintenance	10,000	12,891	2,203
Equipment Rentals	4,000	9,405	14,287
Leave and Benefits	-	3,803	4,044
Winter Maintenance			
Salaries and Wages	4,500	1,462	3,267
Equipment Rentals	4,000	3,736	8,123
Leave and Benefits	-	822	1,806
Administration Fees	2,000	1,200	750
Independent Audit and Accounting	1,500	1,400	1,400
Office Supplies	-	-	90
TOTAL EXPENDITURES	\$ 30,500	\$ 81,749	\$ 95,670
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,125)	\$ (55,650)	\$ (72,721)
OTHER FINANCING SOURCES (USES)			
Operating Transfers From Other Funds	15,366	54,789	38,010
Operating Transfers To Other Funds	(200)	(200)	(200)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 6,041	\$ (1,061)	\$ (34,911)
FUND BALANCE - Beginning of Year	5,906	5,906	40,817
FUND BALANCE - End of Year	\$ 11,947	\$ 4,845	\$ 5,906

VILLAGE OF MARION, MICHIGAN
2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund
Comparative Balance Sheet
February 28, 2005
With Comparative Totals For February 29, 2004

	2005	2004
<u>ASSETS</u>		
Cash	\$ 63,956	\$ 80,098
TOTAL ASSETS	<u>\$ 63,956</u>	<u>\$ 80,098</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ -	\$ -
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>\$ 63,956</u>	<u>\$ 80,098</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 63,956</u>	<u>\$ 80,098</u>

VILLAGE OF MARION, MICHIGAN
2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For The Year Ended February 29, 2009

	FINAL BUDGET	Actual	
		2005	2004
REVENUES			
Taxes			
Current Property Taxes	\$ 60,551	\$ 62,149	\$ 59,364
Assesments in Lieu of Property Taxes	-	4,889	2,550
Single Business Tax	-	-	3,711
School Payment	889	889	-
Interest and Rents			
Interest - Marion Public Schools	1,873	2,850	528
Interest - Other	90	82	33
TOTAL REVENUE	<u>\$ 63,403</u>	<u>\$ 70,859</u>	<u>\$ 66,186</u>
EXPENDITURES			
Debit Service			
Principal		\$ 45,000	\$ -
Interest	45,000	41,854	21,003
Printing and Publishing	-	-	186
Office Supplies	-	47	52
Miscellaneous	-	100	-
Audit	1,000	-	-
TOTAL EXPENDITURES	<u>\$ 46,000</u>	<u>\$ 87,001</u>	<u>\$ 21,241</u>
Excess (Deficiency) of Revenue Over Expenditures	\$ 17,403	\$ (16,142)	\$ 44,945
OTHER FINANCING SOURCES (USES)			
Operating Transfers From Component Units Downtown Development Authority	<u>10,000</u>		<u>10,000</u>
Excess (Deficiency) of Revenue Over Expenditures And Sources (Uses)	\$ 27,403	\$ (16,142)	\$ 54,945
FUND BALANCE -Beginning of Year	<u>80,098</u>	<u>80,098</u>	<u>25,153</u>
FUND BALANCE -End of Year	<u>\$ 107,501</u>	<u>\$ 63,956</u>	<u>\$ 80,098</u>

VILLAGE OF MARION, MICHIGAN
Water Supply System
Comparative Statement of Net Assets
February 28, 2005

	2005	2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 70,088	\$ 43,292
Due From DWRP Construction Fund	-	2,650
TOTAL CURRENT ASSETS	\$ 70,088	\$ 45,942
<u>CAPITAL ASSETS</u>		
Land	\$ 12,150	\$ 12,150
Land Improvements	5,400	-
Machinery and Equipment	51,031	29,433
Water Systems		
Wells, Pumps and Pump House	247,674	166,414
Mains and Connections	1,809,521	286,542
Towers	126,875	126,875
Meters	43,144	53,870
Less Accumulated Depreciation	(284,050)	(446,038)
Net Capital Assets	\$ 2,011,745	\$ 229,246
TOTAL ASSETS	\$ 2,081,833	\$ 275,188
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 809	\$ 784
Customer Deposits Payable	150	150
TOTAL LIABILITIES	\$ 959	\$ 934
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 2,011,745	\$ 229,246
Unrestricted	69,129	45,008
TOTAL NET ASSETS	\$ 2,080,874	\$ 274,254

VILLAGE OF MARION, MICHIGAN
Water Supply System
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2,005	2,004
OPERATING REVENUES			
Charges For Services			
Sales	80,000	\$ 85,528	\$ 79,655
Tap Fees and Installation	1,120	2,024	4,749
Refuse Collection	28,675	28,851	29,513
Sale of Fire Hydrants	-	-	1,500
Salary and Wage Reimbursements -			
DWRP Project	-	-	15,724
Miscellaneous	560	325	-
TOTAL OPERATING REVENUES	<u>\$ 110,355</u>	<u>\$ 116,728</u>	<u>\$ 131,141</u>
OPERATING EXPENSES			
Personal Services			
Salaries and Wages	\$ 12,000	\$ 14,177	\$ 24,663
Social Security and Medicare	-	1,074	1,887
Unemployment	-	97	289
Workmen's Compensation	-	351	567
Life and Health Insurance	-	4,472	7,760
Retirement	-	530	962
Supplies			
Office Supplies	1,250	287	1,234
Operating Supplies	2,000	635	2,692
Other Charges and Services			
Memberships and Dues	400	552	548
Independent Audit and Accounting	2,600	2,100	2,500
Administrative Fees	6,000	6,000	6,000
Insurance	750	680	659
Utilities	5,500	4,963	4,758
Repair and Maintenance	10,500	8,329	8,343
Equipment Rentals	10,000	3,354	8,732
Education and Training	150	49	203
Depreciation	-	36,089	10,821
Capital Outlay	5,000	-	-
Engineering Fees	-	2,499	-
Contractual Fees- Refuse	28,675	30,276	29,483
Printing and Publishing	100	254	244
TOTAL OPERATING EXPENSES	<u>\$ 84,925</u>	<u>\$ 116,768</u>	<u>\$ 112,345</u>
OPERATING INCOME (LOSS)	<u>\$ 25,430</u>	<u>\$ (40)</u>	<u>\$ 18,796</u>

- Continued -

VILLAGE OF MARION, MICHIGAN
Water Supply System
Schedule of Revenues, Expenses and Changes in Fund Net Assets - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2,005	2,004
<u>NON-OPERATING REVENUE (EXPENSES)</u>			
Interest	\$ 35	\$ 101	\$ 56
Write-Off of Old Water System	-	(49,931)	-
Operating Transfers From (To) Other Funds			
General Fund - Planning Commission	(200)	(200)	(200)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (165)	\$ (50,030)	\$ (144)
INCOME (LOSS) BEFORE CONTRIBUTIONS	\$ 25,265	\$ (50,070)	\$ 18,652
Capital Contribution- Water System Project	-	1,856,690	-
Change in Net Assets	\$ 25,265	\$ 1,806,620	\$ 18,652
<u>NET ASSETS-</u>			
Beginning of Year	274,254	274,254	255,602
<u>NET ASSETS-</u>			
End of Year	\$ 299,519	\$ 2,080,874	\$ 274,254

VILLAGE OF MARION, MICHIGAN
Water Supply System
Comparative Statement Of Cash Flows
Year Ended February 28, 2005

	2,005	2,004
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts	\$ 116,403	\$ 113,917
Other Revenue	325	17,224
Payments to Suppliers	(54,473)	(65,267)
Payments to Employees	(14,177)	(24,663)
Payments to Other Funds	(9,354)	(14,732)
Net Cash Provided (Used) By Operating Activities	<u>\$ 38,724</u>	<u>\$ 26,479</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Operating Transfers to Other Funds	\$ (200)	\$ (200)
Other Miscellaneous Revenues		-
Net Cash Flows From Non-Capital Financing Activities	<u>\$ (200)</u>	<u>\$ (200)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Contribution-Watersystem Project	1,856,690	
Purchase of Capital Assets	\$ (1,868,519)	\$ (4,657)
Net Cash Flows from Capital and Related Financing Activities	<u>\$ (11,829)</u>	<u>\$ (4,657)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest	\$ 101	\$ 56
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 26,796	\$ 21,678
Cash and Cash Equivalents - Beginning of Year	43,292	21,614
Cash and Cash Equivalents - End of Year	<u>\$ 70,088</u>	<u>\$ 43,292</u>
<u>RECONCILIATION OF INCOME OPERATING INCOME (LOSS)</u>		
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (40)	\$ 18,796
Adjustments to Reconcile Operating Income (Loss)		
To Net Cash Provided By Operating Activities:		
Depreciation Expense	36,089	10,821
Changes in Assets And Liabilities:		
Increase (Decrease) in Accounts Payable	25	(380)
Increase (Decrease) in Due To Other Funds	2,650	(2,758)
Net Cash Provided (Used) by Operating Activities	<u>\$ 38,724</u>	<u>\$ 26,479</u>

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Comparative Statement of Net Assets
February 28, 2005

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 100,153	\$ 114,993
TOTAL CURRENT ASSETS	<u>\$ 100,153</u>	<u>\$ 114,993</u>
<u>CAPITAL ASSETS</u>		
Land	\$ 20,138	\$ 20,138
Building	20,000	20,000
Machinery and Equipment	22,639	20,920
Sewer Systems		
Collection System	1,052,946	1,038,158
Lift Station	113,672	109,431
Treatment System	512,391	512,391
Less Accumulated Depreciation	(875,650)	(830,731)
Net Capital Assets	<u>\$ 866,136</u>	<u>\$ 890,307</u>
TOTAL ASSETS	<u>\$ 966,289</u>	<u>\$ 1,005,300</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 158	\$ 150
TOTAL LIABILITIES	<u>\$ 158</u>	<u>\$ 150</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of		
Related Debt	\$ 866,136	\$ 890,307
Unrestricted	<u>99,995</u>	<u>114,843</u>
TOTAL NET ASSETS	<u>\$ 966,131</u>	<u>\$ 1,005,150</u>

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2,005	2,004
<u>OPERATING REVENUES</u>			
Charges For Services			
Sales	\$ 46,075	\$ 46,732	\$ 46,456
Tap Fees and Installation	1,000	500	1,000
Sale of Property	-	-	500
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	\$ 47,075	\$ 47,232	\$ 47,956
	<hr/>	<hr/>	<hr/>
<u>OPERATING EXPENSES</u>			
Collection and Treatment			
Personal Services			
Salaries and Wages	\$ 12,000	\$ 8,769	\$ 5,188
Employee Benefits			
Social Security and Medicare	-	664	397
Retirement Expense	-	383	208
Unemployment	-	90	96
Workmen's Compensation	-	215	113
Life and Health Insurance	-	2,440	2,013
Other Charges and Services			
Professional Services			
Audit	2,200	2,500	2,100
Engineering	-	2,499	-
Administrative Fees	10,000	10,000	10,000
Insurance	400	321	324
Utilities	3,000	1,996	1,945
Office Supplies	1,000	971	1,290
Operating Supplies	1,000	680	326
Repair and Maintenance	10,000	2,170	18,829
Equipment Rentals	12,000	9,721	4,136
Education and Training	250	116	-
Memberships and Dues	200	-	-
Depreciation	-	44,919	14,828
Capital Outlay	10,000	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	\$ 62,050	\$ 88,454	\$ 61,793
	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	\$ (14,975)	\$ (41,222)	\$ (13,837)
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VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Schedule of Revenues, Expenses and Changes in Fund Net Assets - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
NON-OPERATING REVENUE (EXPENSES)			
Interest	\$ 600	\$ 703	\$ 652
Rental Income	2,000	2,000	2,000
Insurance Proceeds- Storm Damage	-	-	-
Operating Transfers From (To) Other Funds			
General Fund - Planning Commission	(500)	(500)	(500)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 2,100	\$ 2,203	\$ 2,152
CHANGE IN NET ASSETS	\$ (12,875)	\$ (39,019)	\$ (11,685)
NET ASSETS - Beginning of Year	1,005,150	1,005,150	1,016,835
NET ASSETS - End of Year	\$ 992,275	\$ 966,131	\$ 1,005,150

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Comparative Statement of Cash Flows
February 28, 2005

	2005	2004
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts From Customers	\$ 47,232	\$ 47,956
Payments to Suppliers	(15,037)	(28,580)
Payments to Employees	(8,769)	(5,188)
Payments to Other Funds	(19,721)	(14,136)
Net Cash Provided (Used) By Operating Activities	<u>\$ 3,705</u>	<u>\$ 52</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Operating Transfers to Other Funds	\$ (500)	\$ (500)
Other Miscellaneous Revenues	2,000	2,000
Net Cash Flows from Non-Capital Financing Activities	<u>\$ 1,500</u>	<u>\$ 1,500</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of Capital Assets	\$ (20,748)	\$ (20,433)
Sale of Capital Assets	-	-
Net Cash Provided (Used) By Capital Activities	<u>\$ (20,748)</u>	<u>\$ (20,433)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest	\$ 703	\$ 652
Net (Decrease) in Cash and Cash Equivalents	\$ (14,840)	\$ (18,229)
Cash and Cash Equivalents - Beginning of Year	114,993	133,222
Cash and Cash Equivalents - End of Year	<u>\$ 100,153</u>	<u>\$ 114,993</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED USED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (41,222)	\$ (13,837)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation Expenses	44,919	14,828
Changes in Assets And Liabilities:		
Decrease (Increase) in Due From Other Funds	-	108
Increase (Decrease) in Accounts Payable	8	(1,047)
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,705</u>	<u>\$ 52</u>

VILLAGE OF MARION, MICHIGAN
Combining Balance Sheet
Non-Major Governmental Fund Types
Year Ended February 28, 2005

	Industrial Complex Construction Fund	2002 General Obligation Unlimited Tax Bond Construction Fund	Total Non- Major Governmental Funds
<u>ASSETS</u>			
Cash	\$ 8,354	\$ -	\$ 8,354
Total Assets	<u>\$ 8,354</u>	<u>\$ -</u>	<u>\$ 8,354</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>	\$ -	\$ -	\$ -
<u>Fund Balance</u>	<u>8,354</u>	<u>-</u>	<u>8,354</u>
Total Liabilities and Fund Balance	<u>\$ 8,354</u>	<u>\$ -</u>	<u>\$ 8,354</u>

VILLAGE OF MARION, MICHIGAN
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Fund Types
Year Ended February 28, 2005

	Industrial Complex Construction Fund	2002 General Obligation Unlimited Tax Bond Construction Fund	Total Non- Major Governmental Funds
<u>REVENUES</u>			
Interest	\$ 15	\$ -	\$ 15
<u>EXPENDITURES</u>			
Capital Outlay- Water Supply System Improvements	-	64,879	64,879
Excess (Deficiency) of Revenues Over Expenditures	\$ 15	\$ (64,879)	\$ (64,864)
<u>OTHER FINANCING SOURCES</u>			
Bond Proceeds	-	64,324	64,324
Excess (Deficiency) Of Revenues Over Expenditures And Other Sources (Uses)	\$ 15	\$ (555)	\$ (540)
<u>Fund Balance</u> - Beginning Of Year	8,339	555	8,894
<u>Fund Balance</u> - End Of Year	\$ 8,354	\$ -	\$ 8,354

VILLAGE OF MARION, MICHIGAN
Industrial Complex Construction Fund
Comparative Balance Sheet
February 28, 2005
With Comparative Totals For February 29, 2004

	2005	2004
<u>ASSETS</u>		
Cash	\$ 8,354	\$ 4,088
Due From Other Funds		
General Fund	-	4,251
TOTAL ASSETS	\$ 8,354	\$ 8,339
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ -	\$ -
<u>FUND BALANCE</u>	\$ 8,354	\$ 8,339
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,354	\$ 8,339

VILLAGE OF MARION, MICHIGAN
Industrial Complex Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts for Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
<u>REVENUES</u>			
Lots Sales	\$ -	\$ -	\$ 1,000
Interest	15	15	182
TOTAL REVENUES	\$ 15	\$ 15	\$ 1,182
<u>EXPENDITURES</u>			
Salaries and Wages	\$ 2,500		\$ -
Equipment Rentals	2,500		-
Capital Outlay - Lot Purchases		-	4,477
TOTAL EXPENDITURES	\$ 5,000	\$ -	\$ 4,477
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,985)	\$ 15	\$ (3,295)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers To Other Funds	-	-	
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (4,985)	\$ 15	\$ (3,295)
<u>FUND BALANCE</u> - Beginning of Year	8,339	8,339	11,634
<u>FUND BALANCE</u> - End of Year	\$ 3,354	\$ 8,354	\$ 8,339

VILLAGE OF MARION, MICHIGAN
 2002 General Obligation Unlimited Tax Bonds Construction Fund
 Comparative Balance Sheet
 February 28, 2005
 With Comparative totals for February 29, 2004

	2005	2004
<u>ASSETS</u>		
Cash		\$ 3,305
TOTAL ASSETS	\$ -	\$ 3,305
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due To General Fund	\$ -	\$ 100
Due To Water supply System	-	2,650
TOTAL LIABILITIES	\$ -	\$ 2,750
<u>FUND BALANCE</u>	-	555
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 3,305

VILLAGE OF MARION, MICHIGAN
2002 General Obligation Unlimited Tax Bonds Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Years Ended February 29, 2004

	FINAL BUDGET	Actual	
		2005	2004
<u>REVENUES</u>			
Interest	\$ -	\$ -	\$ 0
<u>EXPENDITURES</u>			
Capital Outlay- Water Supply System Improvements	\$ -	\$ 64,879	\$ 912,824
Excess (Deficiency) of Revenue Over Expenditures	\$ -	\$ (64,879)	\$ (912,824)
<u>OTHER FINANCING SOURCES (USES)</u>			
Bond Proceeds	\$ -	64,327	912,888
Excess (Deficiency) of Revenue Over Expenditures And Other Sources (Uses)	\$ -	\$ (555)	\$ 64
<u>FUND BALANCE -Beginning of Year</u>	<u>\$ 555</u>	<u>555</u>	<u>491</u>
<u>FUND BALANCE -End of Year</u>	<u>\$ 555</u>	<u>\$ -</u>	<u>\$ 555</u>

VILLAGE OF MARION, MICHIGAN
 Component Units
 Combining Balance Sheet
 February 28, 2005
 With Comparative Totals For February 28, 2004

	MARION COMMUNITY FIRE DEPT.	DOWNTOWN DEVELOPMENT AUTHORITY	MARION PUBLIC LIBRARY	TOTALS	
				2005	2004
ASSETS					
Cash	\$ 52,471	\$ 85,600	\$ 274,278	\$ 412,349	\$ 264,608
Accounts Receivable	1,300	-	-	1,300	1,500
Due From Other Governments	17,185	-	2,246	19,431	17,481
TOTAL ASSETS	\$ 70,956	\$ 85,600	\$ 276,524	\$ 433,080	\$ 283,589
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 506	\$ -	\$ 54	\$ 560	\$ 2,802
Payroll Taxes Payroll	-	-	294	294	-
Retirement Payable	-	-	32	32	78
TOTAL LIABILITIES	\$ 506	\$ -	\$ 380	\$ 886	\$ 2,880
FUND BALANCE					
Unreserved	70,450	85,600	276,144	432,194	280,709
TOTAL LIABILITIES AND FUND BALANCE	\$ 70,956	\$ 85,600	\$ 276,524	\$ 433,080	\$ 283,589

VILLAGE OF MARION, MICHIGAN
Component Units
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances
Year Ended February 28, 2005
With Comparative Actual Amounts for Year Ended February 29, 2004

	MARION COMMUNITY FIRE DEPT.	DOWNTOWN DEVELOPMENT AUTHORITY	MARION PUBLIC LIBRARY	TOTALS	
				2,005	2,004
REVENUES					
Taxes	-	11,886	10,357	22,243	21,881
State Grants	-	-	37,142	37,142	29,735
Contribution From Local Units	60,335	-	2,990	63,325	57,532
Charges For Service	10,750	-	1,105	11,855	5,061
Fines and Forfeits	-	-	302	302	310
Interest and Rents	192	1,177	2,121	3,490	2,788
Other Revenues	45,454	20	171,499	216,973	85,891
TOTAL REVENUES	116,731	13,083	225,516	355,330	203,198
EXPENDITURES					
Buildings and Grounds	-	124,926	-	124,926	52,948
Public Safety	105,177	-	-	105,177	148,590
Recreation and Culture	-	5,670	70,878	76,548	61,423
TOTAL EXPENDITURES	105,177	130,596	70,878	306,651	262,961
Excess (Deficiency) of Revenues Over Expenditures	11,554	(117,513)	154,638	48,679	(59,763)
OTHER FINANCING SOURCES (USES)					
Operating Transfers From(to)					
Primary Government	5,222	26,725	-	31,947	31,569
Primary Government	-	-	-	-	(21,929)
Component Units	-	-	-	-	2,500
Component Units	-	-	-	-	(2,500)
Principal Lease Payments	(7,474)	-	-	(7,474)	(7,118)
Interest Payments	(867)	(280)	-	(1,147)	(1,223)
Loan Proceeds	-	80,000	-	80,000	-
Loan Costs	-	(520)	-	(520)	-
Excess (Deficiency) of Revenue Over Expenditures and Other Sources (Uses)	8,435	(11,588)	154,638	151,485	(58,464)
FUND BALANCE -Beginning of Year	62,015	97,188	121,506	280,709	339,173
FUND BALANCE -End of Year	70,450	85,600	276,144	432,194	280,709

VILLAGE OF MARION, MICHIGAN
Marion Community Fire Department Fund
Comparative Balance Sheet
February 28, 2005

	2005	2004
<u>ASSETS</u>		
Cash	\$ 52,471	\$ 46,950
Accounts Receivable	1,300	1,500
Due From Other Governments (Note 3)	17,185	16,093
TOTAL ASSETS	<u>\$ 70,956</u>	<u>\$ 64,543</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 506	\$ 2,528
TOTAL LIABILITIES	\$ 506	\$ 2,528
<u>FUND BALANCE</u>		
Unreserved	\$ 70,450	\$ 62,015
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 70,956</u>	<u>\$ 64,543</u>

VILLAGE OF MARION, MICHIGAN
Marion Community Fire Department Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL 2005	ACTUAL 2004
REVENUES			
Contribution From Local Units			
Hartwick Township	\$ 8,661	\$ 9,162	\$ 8,164
Highland Township	10,269	11,319	9,967
Redding Township	100	99	99
Marion Township	13,956	14,824	13,155
Middle Branch Township	8,660	9,348	8,406
Winterfield Township	14,427	15,583	14,751
Charges For Services			
Fire Runs	3,000	3,250	2,100
Extraction Fees	2,000	5,000	1,000
Auto Accidents	1,000	2,500	1,000
Interest and Rents			
Interest	25	192	201
Other Revenues			
Donation - Community Foundation	-	1,500	-
Miscellaneous	-	5	-
FEMA Grant	100	41,181	62,597
Thermal Imager Donations	-	768	21,116
Sale of Fixed Assets	0	2000	0
TOTAL REVENUES	\$ 62,198	\$ 116,731	\$ 142,556
EXPENDITURES			
Public Safety			
Fire Protection			
Salaries and Wages	\$ 8,000	\$ 7,859	\$ 8,588
Life Insurance	600	670	549
Workmen's Compensation	2,000	1,830	1,830
Office Supplies	425	1,077	483
Operating Supplies	1,500	1,216	2,691
Independent Audit and Accounting	1,200	1,100	1,100
Memberships and Dues	150	250	180
Communications	2,500	2,476	2,602
Gas and Oil	2,000	2,033	1,628
Insurance	13,000	13,904	12,539
Utilities	6,000	4,677	5,648
Repair and Maintenance	6,500	2,447	6,202
Rent	-	231	-
Administrative Fees	1,000	-	-
Printing and Publishing	100	-	-

- Continued -

VILLAGE OF MARION, MICHIGAN
Marion Community Fire Department Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
<u>EXPENDITURES</u> - Continued			
Public Safety - Continued			
Fire Protection - Continued			
Education and Training	\$ 1,000	\$ 275	\$ -
Capital Outlay	15,000	65,132	104,550
	<u>\$ 60,975</u>	<u>\$ 105,177</u>	<u>\$ 148,590</u>
TOTAL EXPENDITURES			
	\$ 60,975	\$ 105,177	\$ 148,590
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,223	\$ 11,554	\$ (6,034)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In			
From Primary Government	\$ 4,970	\$ 5,222	\$ 6,684
From Component Units	-	-	2,500
Principal Payments of Capital Lease	(3,348)	(7,474)	(7,118)
Interest Payments	(1,595)	(867)	(1,223)
	<u>(1,595)</u>	<u>(867)</u>	<u>(1,223)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 1,250	\$ 8,435	\$ (5,191)
FUND BALANCE - Beginning of Year	62,015	62,015	67,206
FUND BALANCE - End of Year	<u>\$ 63,265</u>	<u>\$ 70,450</u>	<u>\$ 62,015</u>

VILLAGE OF MARION, MICHIGAN
Downtown Development Authority Fund
Comparative Balance Sheet
February 28, 2005

	2005	2004
<u>ASSETS</u>		
Cash	\$ 85,600	\$ 97,188
TOTAL ASSETS	<u>\$ 85,600</u>	<u>\$ 97,188</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ -	\$ -
<u>FUND BALANCE</u>		
Unreserved	\$ 85,600	\$ 97,188
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 85,600</u>	<u>\$ 97,188</u>

VILLAGE OF MARION, MICHIGAN
Downtown Development Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

Year Ended February 28, 2005 With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
REVENUES			
Current Property Taxes			
Marion Township	\$ 12,000	\$ 11,886	\$ 11,369
Rent	-	600	-
Donations	-	20	-
Interest	2,500	577	1,189
	<u>14,500</u>	<u>13,083</u>	<u>12,558</u>
TOTAL REVENUES	\$ 14,500	\$ 13,083	\$ 12,558
EXPENDITURES			
Independent Audit and Accounting	\$ 500	\$ 500	\$ 500
Projects Director	3,000	3,250	3,000
Professional Services	15,000	75	2,340
Office Supplies	500	125	55
Printing & Publishing	-	56	-
Utilities	-	2,195	-
Community Promotion	7,000	5,670	400
Capital Outlay:			
Veterans Memorial Park	20,000	-	-
Mill Pond Project	20,000	-	14,829
Jenkins Project	30,000	-	21,438
Real Estate Acquisition	-	-	10,785
Property Improvements	55,000	-	-
Contingencies	28,630	-	-
Parking Lot	-	25,369	-
Sible Building	-	93,356	-
	<u>179,630</u>	<u>130,596</u>	<u>53,347</u>
TOTAL EXPENDITURES	\$ 179,630	\$ 130,596	\$ 53,347
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (165,130)	\$ (117,513)	\$ (40,789)
OTHER FINANCING SOURCES (USES)			
Operating Transfers From (To)			
Primary Government			
Current Property Taxes	25,835	26,725	24,885
Water Project	(10,000)	-	(10,000)
Parking Lot Project	-	-	(11,929)
Park Project	-	-	-
Component Units			
Thermal Imager Project	-	-	(2,500)
Loan Proceeds	-	80,000	-
Loan Interest	-	(280)	-
Loan Costs	-	(520)	-
	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	\$ (149,295)	\$ (11,588)	\$ (40,333)
FUND BALANCE - Beginning of Year	97,188	97,188	137,521
FUND BALANCE - End of Year	\$ (52,107)	\$ 85,600	\$ 97,188

VILLAGE OF MARION, MICHIGAN
Marion Public Library Fund
Comparative Balance Sheet
February 28, 2005

	2005	2004
<u>ASSETS</u>		
Cash	\$ 274,278	\$ 120,470
Due From Other Governments		
Contribution From Local Units	2,246	1,388
	<hr/>	<hr/>
TOTAL ASSETS	\$ 276,524	\$ 121,858
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 54	\$ 274
Payroll Tax Withholdings Payable	294	-
Retirement Payable	32	78
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 380	\$ 352
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Unreserved	\$ 276,144	\$ 121,506
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 276,524	\$ 121,858
	<hr/>	<hr/>

VILLAGE OF MARION, MICHIGAN
Marion Public Library Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL	
		2005	2004
REVENUES			
Taxes			
Current Tax Levy	\$ 9,890	\$ 10,357	\$ 9,892
Single Business Tax	619	-	619
State Grants			
State Aid	3,400	5,364	534
Penal Fines	34,000	31,778	29,201
Contribution From Local Units	2,990	2,990	2,990
Charges For Services			
Copy, Fax and Postage Fees	385	635	474
Book Sales	300	470	487
Fines and Forfeits			
Book Fines	250	302	310
Interest and Rents			
Interest	600	2,121	1,397
Other Revenue			
Oil Royalties	2,000	1,325	2,060
Contributions and Donations	100	170,066	120
Miscellaneous	50	108	(1)
TOTAL REVENUES	\$ 54,584	\$ 225,516	\$ 48,083
EXPENDITURES			
Recreation and Culture			
Salaries and Wages	\$ 26,975	\$ 23,782	\$ 24,235
Social Security and Medicare	2,063	1,464	1,582
Retirement	610	548	742
Unemployment	216	-	-
Workmen's Compensation	54	-	-
Life and Health Insurance	11,357	12,600	10,541
Office Supplies	700	661	797
Periodicals and Subscriptions	500	503	445
Independent Audit and Accounting	2,000	2,000	2,000
Memberships and Dues	1,853	2,727	1,835
Communications	675	426	820
Contracted Services-Library Automation	1,790	1,774	2,189

- Continued -

VILLAGE OF MARION, MICHIGAN
Marion Public Library Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2005
With Comparative Actual Amounts For Year Ended February 29, 2004

	FINAL BUDGET	ACTUAL 2005	2004
<u>EXPENDITURES</u> - Continued			
Recreation and Culture - Continued			
Insurance	\$ 5,454	\$ 5,454	\$ 4,238
Utilities	2,500	2,173	2,429
Repair and Maintenance	2,425	4,573	2,059
Education and Training	200	73	74
Administrative Fees	1,500	1,500	1,500
Donation Fund Expense	1,025	1,071	68
Customer Books	300	-	440
Printing and Publishing	-	5	20
Childrens Programs	200	323	102
Capital Outlay			
Equipment	6,500	3,349	-
Books	5,500	5,872	4,907
Building	2,053	-	-
TOTAL EXPENDITURES	\$ 76,450	\$ 70,878	\$ 61,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,866)	154,638	(12,940)
<u>FUND BALANCE</u> - Beginning of Year	121,506	121,506	134,446
<u>FUND BALANCE</u> - End of Year	\$ 99,640	\$ 276,144	\$ 121,506

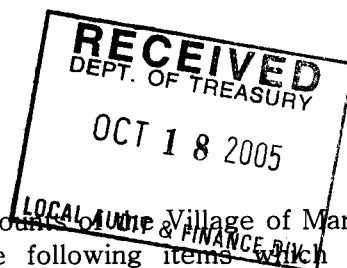


WILSON,
HARRAR &
FREEZE, P.C.

Certified Public Accountants

October 14, 2005

To The President and Village Council
Village of Marion, Michigan



During the course of my audit of the books and accounts of the Village of Marion, Michigan, for the year ended February 28, 2005, I noted the following items which I feel should be incorporated into future management and record keeping requirements of the municipality:

1. Budgetary Control

The State of Michigan Budgeting Act #621 has not been followed. The General Fund, Local Street Fund and 2002 Debt Retirement Fund had expenditures in excess of appropriations for several activities. The Water Supply System, Sewage Disposal System and Marion Community Fire Department had expenditures in excess of appropriations. The Downtown Development Authority Fund had budgeted expenditures that exceeded the beginning fund balance plus budgeted revenues. In the future, the budget should be amended prior to approving items for payment that would otherwise exceed the budgeted amounts.

2. Deposits and Investments

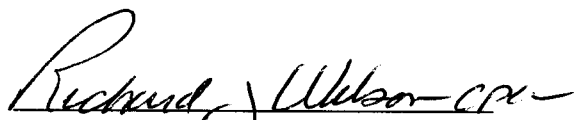
At times during the year excess funds were being carried in checking accounts. Transfers should be made to interest bearing investments for monies not needed for current expenditures. Also, the Village had investments that were not covered by federal depository insurance. An effort should be made to reallocate investments to maintain insurance coverage.

3. Overall Financial Condition

I would like to commend the President and Council members for another year of Village improvements, especially the water project and street projects and the successful efforts of bidding and using Village personnel to make the projects financially feasible.

I would also like to thank the Village Clerk and Treasurer for a fine job in maintaining the accounting records during the year as evidenced by minimal year end inter-fund payable and receivable adjustments.

I wish to express my appreciation in allowing us to conduct the Village audit and for the cooperation and courtesy extended by the various Village employees during the course of our examination. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please do not hesitate to contact me.


Richard J. Wilson, CPA